

**HO TAI MOTOR COMPANY LIMITED
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2022 AND 2021**

For the convenience of readers and for information purposes only, the report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English and the Chinese version or any differences in interpretation between the two versions, the original Chinese version shall prevail.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 2022 AND 2021
CONTENTS

Items	Page
1. Cover	1
2. Contents	2
3. Independent auditors' review report	3~4
4. Consolidated balance sheets	5~6
5. Consolidated statements of comprehensive income	7~8
6. Consolidated statements of changes in equity	9
7. Consolidated statements of cash flows	10~11
8. Notes to the consolidated financial statements	12~131
(1) History and organization	12
(2) The date of authorization for issuance of the financial statements and procedures for authorization	12
(3) Application of new standards, amendments and interpretations	12~14
(4) Summary of significant accounting policies	14~38
(5) Critical accounting judgements, estimates and key sources of assumption uncertainty	38~40
(6) Details of significant accounts	40~79
(7) Related party transactions	79~89
(8) Pledged assets	89
(9) Significant contingent liabilities and unrecognized contract commitments	89~90
(10) Significant disaster loss	90
(11) Significant events after the balance sheet date	90~91
(12) Others	91~129
(13) Supplementary disclosures	129~130
(14) Segment information	130~131

INDEPENDENT AUDITORS' REVIEW REPORT
(TRANSLATED FROM CHINESE)

PWCR22000175

To the Board of Directors and Shareholders of
Ho Tai Motor Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Ho Tai Motor Co., Ltd. and its subsidiaries (the "Group") as of September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial and Operational Reports by Enterprises Engaging in Insurance and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65, "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

As explained in Notes 4(3) and 6(10), the financial statements of certain insignificant consolidated subsidiaries and investments accounted for using the equity method were not reviewed by independent auditors. Total assets of these subsidiaries and investments accounted for using the equity method amounted to NT\$75,197,028 thousand and NT\$59,327,930 thousand, constituting 19% and 18% of the consolidated total assets as at September 30, 2022 and 2021, respectively, total liabilities amounted to NT\$24,238,252

thousand and NT\$12,003,300 thousand, constituting 8% and 5% of the consolidated total liabilities as at September 30, 2022 and 2021 respectively, and the total revenue amounted to NT\$18,175,518 thousand, NT\$16,783,350 thousand, NT\$52,837,197 thousand and NT\$52,445,785 thousand, constituting 29%, 29%, 29% and 28% of the consolidated total revenue for the three months and nine months then ended, and the total comprehensive income amounted to NT\$1,672,812 thousand, NT\$1,301,197 thousand, NT\$5,054,563 thousand and NT\$4,565,939 thousand, constituting (13)%, 31%, (55%) and 29% of the consolidated total comprehensive income for the three months and nine months then ended, respectively. These amounts and the information disclosed in Note 13 were based solely on the unreviewed financial statements of these companies as of September 30, 2022 and 2021.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and investments accounted for using equity method been reviewed by independent auditors as described in the *Basis for qualified conclusion* section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Fang-Yu, Wang

Patrick, Hsu

For and on behalf of PricewaterhouseCoopers, Taiwan
November 10, 2022

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the review of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors’ review report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of management, PricewaterhouseCoopers, Taiwan cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2022 and 2021 are reviewed, not audited)

Assets	Notes	September 30, 2022		December 31, 2021		September 30, 2021		
		Amount	%	Amount	%	Amount	%	
Current Assets								
1100	Cash and cash equivalents	6(1)	\$ 18,873,559	5	\$ 25,813,580	7	\$ 15,063,055	5
1120	Financial assets at fair value through profit or loss-current	6(2)	4,860,674	1	7,759,202	2	8,453,239	3
1125	Financial assets at fair value through other comprehensive income-current	6(3)	241,713	-	322,124	-	82,194	-
1150	Derivative financial assets for hedging	6(4)	232,491	-	-	-	-	-
1190	Other financial assets-current	6(1) and 8	3,008,924	1	2,794,794	1	2,523,993	1
1195	Contract assets-current	6(29)	28,474	-	29,094	-	25,395	-
1201	Notes receivable	6(5), 7 and 8	12,589,816	3	10,731,037	3	11,559,638	3
1202	Accounts receivable	6(5), 7 and 8	212,645,374	55	179,803,972	52	168,002,709	52
1203	Other receivables	7	2,071,069	1	1,492,994	1	1,558,918	-
1270	Inventories	6(7)	12,040,395	3	10,014,885	3	8,309,680	2
1280	Prepayments	6(8)	9,377,790	2	8,431,594	2	8,736,404	3
1290	Assets held for sale		15,443	-	-	-	-	-
1310	Reinsurance contract assets, net	6(9)	3,005,269	1	2,396,571	1	2,146,075	1
	Total Current Assets		<u>278,990,991</u>	<u>72</u>	<u>249,589,847</u>	<u>72</u>	<u>226,461,300</u>	<u>70</u>
Non-current assets								
1410	Financial assets at fair value through profit or loss-non-current	6(2)	1,002,836	-	1,035,718	-	1,038,055	-
1415	Financial assets at fair value through other comprehensive income-non-current	6(3)	8,353,196	2	10,592,876	3	10,641,369	3
1470	Investments accounted for using the equity method	6(10)	18,385,209	5	17,336,071	5	17,111,204	5
1480	Other financial assets-non-current	6(1)	357,395	-	143,910	-	142,308	-
1500	Property, plant and equipment, net	6(11)	58,095,058	15	53,619,235	15	52,436,116	16
1595	Right-of-use assets, net	6(12)	3,377,305	1	3,436,960	1	3,375,382	1
1600	Investment property, net	6(14)	3,083,826	1	2,531,683	1	2,537,478	1
1700	Intangible assets, net	6(15)	183,834	-	1,297,739	-	1,297,435	1
1800	Deferred income tax assets, net	6(34)	4,005,960	1	1,975,833	1	1,959,797	1
1900	Other assets	6(5)(9)(17)	10,925,505	3	8,052,912	2	7,479,944	2
	Total non-current assets		<u>107,770,124</u>	<u>28</u>	<u>100,022,937</u>	<u>28</u>	<u>98,019,088</u>	<u>30</u>
1XXX	Total Assets		<u>\$ 386,761,115</u>	<u>100</u>	<u>\$ 349,612,784</u>	<u>100</u>	<u>\$ 324,480,388</u>	<u>100</u>

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2022, DECEMBER 31, 2021 AND SEPTEMBER 30, 2021

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of September 30, 2022 and 2021 are reviewed, not audited)

	Liabilities and equity	Notes	September 30, 2022		December 31, 2021		September 30, 2021	
			Amount	%	Amount	%	Amount	%
	Current Liabilities							
2110	Short-term loans	6(18)	\$ 100,555,954	26	\$ 66,766,240	19	\$ 59,776,144	19
2120	Short-term notes and bills payable	6(19)	96,952,274	25	104,861,342	30	99,235,974	31
2140	Financial liabilities at fair value through profit or loss-current	6(2)	23,783	-	27,780	-	8,323	-
2150	Derivative financial liabilities for hedging	6(4)	1,028,549	-	578,276	-	282,066	-
2165	Contract liabilities-current	6(29)	1,433,368	-	1,371,251	-	1,149,076	-
2201	Notes payable		933,892	-	783,316	-	933,183	-
2202	Accounts payable	7	10,074,173	3	8,794,001	3	4,968,853	2
2203	Accrued expenses	6(22) and 7	5,306,692	1	6,957,640	2	5,495,611	2
2204	Other payables	7	1,609,619	1	1,407,173	1	1,272,578	-
2250	Commissions payable	7	425,008	-	545,799	-	415,328	-
2260	Due to reinsurance and ceding companies		746,672	-	586,589	-	516,803	-
2270	Claims payable		129,078	-	41,741	-	31,583	-
2310	Current income tax liabilities		3,048,876	1	3,671,592	1	3,126,635	1
2320	Advance receipts		207,134	-	252,312	-	146,575	-
2330	Long-term liabilities-current portion	6(20)(21)	24,796,921	7	13,579,045	4	14,012,740	4
2335	Current lease liabilities	7	432,522	-	422,689	-	406,791	-
2350	Other current liabilities	6(9)(24)(25)	35,459,743	9	17,732,741	5	18,649,800	6
	Total current liabilities		<u>283,164,258</u>	<u>73</u>	<u>228,379,527</u>	<u>65</u>	<u>210,428,063</u>	<u>65</u>
	Non-current liabilities							
2550	Long-term loans	6(21)	3,496,704	1	4,736,583	1	4,212,525	1
2600	Provisions	6(9)(24)	8,237,496	2	8,221,857	2	8,102,575	2
2620	Guarantee deposits received	6(25)	8,224,495	2	8,284,297	3	7,163,654	2
2625	Non-current lease liabilities	7	1,659,428	1	1,702,444	1	1,644,727	1
2630	Deferred income tax liabilities	6(34)	4,145,958	1	3,822,039	1	3,676,759	1
2660	Other liabilities		46	-	72	-	80	-
	Total non-current liabilities		<u>25,764,127</u>	<u>7</u>	<u>26,767,292</u>	<u>8</u>	<u>24,800,320</u>	<u>7</u>
2XXX	Total liabilities		<u>308,928,385</u>	<u>80</u>	<u>255,146,819</u>	<u>73</u>	<u>235,228,383</u>	<u>72</u>
	Equity attributable to shareholders of the parent							
	Share capital	6(26)						
3110	Common stock		5,461,792	1	5,461,792	1	5,461,792	2
	Capital surplus	6(27)						
3200	Capital surplus		2,930,289	1	2,807,477	1	2,808,181	1
	Retained earnings	6(28)						
3310	Legal reserve		15,553,282	4	13,925,963	4	13,925,963	4
3320	Special reserve		381,843	-	381,843	-	381,843	-
3330	Unappropriated earnings		25,222,062	7	47,944,833	14	44,339,374	14
	Other equity							
3400	Other equity		1,289,874	-	3,248,943	1	2,701,098	1
31XX	Total equity attributable to shareholders of the parent		<u>50,839,142</u>	<u>13</u>	<u>73,770,851</u>	<u>21</u>	<u>69,618,251</u>	<u>22</u>
32XX	Non-controlling interest		<u>26,993,588</u>	<u>7</u>	<u>20,695,114</u>	<u>6</u>	<u>19,633,754</u>	<u>6</u>
3XXX	Total equity		<u>77,832,730</u>	<u>20</u>	<u>94,465,965</u>	<u>27</u>	<u>89,252,005</u>	<u>28</u>
	Significant contingent liabilities and unrecognized contract commitments	9						
	Significant events after balance sheet date	11						
	Total liabilities and equity		<u>\$ 386,761,115</u>	<u>100</u>	<u>\$ 349,612,784</u>	<u>100</u>	<u>\$ 324,480,388</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings (loss) per share amounts)
(Reviewed, not audited)

Items	Notes	Three months ended September 30,				Nine months ended September 30,				
		2022		2021		2022		2021		
		Amount	%	Amount	%	Amount	%	Amount	%	
Revenues										
4010	Interest income	6(3)(30)	\$ 4,241,411	7	\$ 3,169,207	6	\$ 11,915,002	7	\$ 9,010,993	5
4020	Premiums revenue	6(31)	2,435,084	4	2,203,888	4	6,988,598	4	6,266,671	3
4040	Reinsurance commission revenue		140,110	-	121,200	-	397,787	-	351,614	-
4050	Fee income		3,094	-	2,968	-	8,623	-	8,546	-
4060	Share of profit of associates and joint ventures accounted for using the equity method	6(10)	603,464	1	285,107	-	1,567,716	1	1,497,350	1
4105	Realized gains (losses) on financial assets at fair value through other comprehensive income		49,240	-	72,627	-	215,166	-	207,490	-
4160	Net sales revenue	6(29) and 7								
4161	Sales revenue		50,777,536	81	47,630,786	83	147,239,260	81	162,116,415	86
4162	Sales returns		(354,456)	(1)	(172,148)	(-)	(923,111)	(-)	(696,760)	(-)
4163	Sales discounts and allowances		(899,457)	(1)	(1,078,608)	(2)	(3,131,049)	(2)	(3,295,123)	(2)
4170	Rental revenue		4,455,047	7	3,774,514	7	12,836,220	7	11,066,156	6
4180	Service revenue	6(29) and 7	583,811	1	494,862	1	1,658,538	1	1,454,641	1
4210	Gains on disposals of property, plant and equipment		2,835	-	5,849	-	9,619	-	23,985	-
4230	Income from investment property	6(14)	43,717	-	42,517	-	132,126	-	121,859	-
4270	Other income		378,096	1	308,638	1	1,043,238	1	740,566	-
4256	Reversal gain on expected credit of investment and impairment loss		(5)	(-)	(4)	(-)	29	(-)	(9)	(-)
4245	Gains (losses) on using overlay approach of investment	6(2)	(203,308)	-	222,701	-	724,024	-	40,507	-
4280	Unrealized profit from sales		(50,573)	-	60,998	-	(23,318)	-	(114,833)	-
4290	Realized profit from sales		66,381	-	-	-	66,381	-	44,478	-
	Total revenues		<u>62,272,027</u>	<u>100</u>	<u>57,145,102</u>	<u>100</u>	<u>180,724,849</u>	<u>100</u>	<u>188,844,546</u>	<u>100</u>
Expenses										
5010	Interest expense		(861,388)	(1)	(492,886)	(1)	(2,100,259)	(1)	(1,403,958)	(1)
5030	Underwriting expenses		(166)	(-)	(77)	(-)	(296)	(-)	(373)	(-)
5040	Commission expenses	7	(1,413,469)	(2)	(1,253,428)	(2)	(4,351,345)	(2)	(3,672,015)	(2)
5050	Claims payment		(10,377,038)	(17)	(931,300)	(2)	(13,321,604)	(7)	(2,871,840)	(1)
5070	Net changes in other insurance liabilities	6(9)	(9,219,019)	(15)	(292,062)	(-)	(14,960,828)	(8)	(727,075)	(-)
5110	Loss on financial assets and liabilities at fair value through profit or loss	6(2)	(228,474)	(-)	(158,088)	(-)	(652,981)	(-)	(671,619)	(-)
5190	Cost of sales	6(7) and 7	(43,313,555)	(69)	(40,302,325)	(70)	(124,360,182)	(69)	(138,833,735)	(74)
5200	Cost of rental revenue		(3,477,045)	(6)	(3,160,743)	(6)	(10,299,498)	(6)	(9,181,055)	(5)
5210	Cost of services		(576,540)	(1)	(400,814)	(1)	(1,565,295)	(1)	(1,104,874)	(1)
5230	Operating expenses	6(32)(33) and 7								
5231	Selling expenses		(2,507,899)	(4)	(2,630,468)	(5)	(7,371,475)	(4)	(7,316,920)	(4)
5232	General and administrative expenses		(1,454,939)	(2)	(1,566,061)	(3)	(4,462,146)	(3)	(4,515,720)	(2)
5233	Research and development expenses		(30,221)	(-)	(28,052)	(-)	(85,100)	(-)	(84,887)	(-)
5287	Expected credit impairment loss of non-investment	12(2)	(479,154)	(1)	(167,559)	(-)	(1,192,784)	(1)	(822,003)	(-)
5270	Expenses and losses from investment property	6(14)	(9,260)	(-)	(8,393)	(-)	(28,344)	(-)	(24,925)	(-)
5280	Impairment losses	6(16)	(1,092,475)	(2)	(-)	(-)	(1,092,475)	(1)	(-)	(-)
5290	Foreign exchange gains (losses)		(225,726)	(-)	(69,023)	(-)	(145,988)	(-)	(501,991)	(-)
5320	Other expenses		(13,633)	(-)	(20,584)	(-)	(52,644)	(-)	(74,021)	(-)
	Total expenses		<u>(74,823,053)</u>	<u>(120)</u>	<u>(51,343,817)</u>	<u>(90)</u>	<u>(186,043,244)</u>	<u>(103)</u>	<u>(169,459,791)</u>	<u>(90)</u>
6100	(Loss) Income before income tax from continuing operations		<u>(12,551,026)</u>	<u>(20)</u>	<u>(5,801,285)</u>	<u>(10)</u>	<u>(5,318,395)</u>	<u>(3)</u>	<u>(19,384,755)</u>	<u>(10)</u>
6200	Income tax expense	6(34)	(227,434)	(-)	(1,450,610)	(3)	(2,066,375)	(1)	(4,227,652)	(2)
6500	(Loss) Profit for the period		<u>(\$ 12,778,460)</u>	<u>(20)</u>	<u>\$ 4,350,675</u>	<u>7</u>	<u>(\$ 7,384,770)</u>	<u>(4)</u>	<u>\$ 15,157,103</u>	<u>8</u>

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings (loss) per share amounts)
(Reviewed, not audited)

Items	Notes	Three months ended September 30,				Nine months ended September 30,			
		2022		2021		2022		2021	
		Amount	%	Amount	%	Amount	%	Amount	%
Other comprehensive income (loss) for the period									
Components of other comprehensive income (loss) that may not be reclassified to profit or loss									
6617 Gain (loss) from investments in equity instruments measured at fair value through other comprehensive income	6(3)	(\$ 824,728)	(1)	\$ 119,917	-	(\$ 1,552,444)	(1)	\$ 1,005,113	-
6610 Total components of other comprehensive income (loss) that may not be reclassified to profit or loss		(824,728)	(1)	119,917	-	(1,552,444)	(1)	1,005,113	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss									
6651 Financial statement translation differences of foreign operations		16,556	-	(37,743)	-	378,107	-	(189,034)	-
6659 Unrealized gains (loss) from investments in debt instruments measured at fair value through other comprehensive income	6(3)	(19,826)	-	(4,522)	-	(92,633)	-	(18,307)	-
6661 Gain (loss) on hedging instrument	6(4)	15,614	-	(42,251)	-	226,869	-	(84,532)	-
6675 Other comprehensive income (loss) reclassified by using overlay approach	6(2)	203,308	-	(222,701)	-	(724,024)	-	(40,507)	-
6665 Share of other comprehensive income of associates and joint ventures accounted for using the equity method - components of other comprehensive income		49,384	-	2,287	-	28,297	-	12,780	-
6689 Income tax related to components of other comprehensive income	6(34)	(5,629)	-	8,991	-	(52,545)	-	19,576	-
Total components of other comprehensive income that will be reclassified to profit or loss		259,407	-	(295,939)	-	(235,929)	-	(300,024)	-
6600 Other comprehensive income (loss) for the period		(\$ 565,321)	(1)	(\$ 176,022)	-	(\$ 1,788,373)	(1)	\$ 705,089	-
6700 Total comprehensive income (loss) for the period		(\$ 13,343,781)	(21)	\$ 4,174,653	7	(\$ 9,173,143)	(5)	\$ 15,862,192	8
Profit (loss) attributable to:									
6810 Owners of parent		(\$ 13,651,638)	(21)	\$ 3,513,167	5	(\$ 10,171,868)	(6)	\$ 12,667,726	7
6820 Non-controlling interests		873,178	1	837,508	2	2,787,098	2	2,489,377	1
		(\$ 12,778,460)	(20)	\$ 4,350,675	7	(\$ 7,384,770)	(4)	\$ 15,157,103	8
Comprehensive income (loss) attributable to:									
6910 Owners of parent		(\$ 14,231,162)	(23)	\$ 3,366,212	6	(\$ 12,130,937)	(7)	\$ 13,435,748	7
6920 Non-controlling interests		887,381	2	808,441	1	2,957,794	2	2,426,444	1
		(\$ 13,343,781)	(21)	\$ 4,174,653	7	(\$ 9,173,143)	(5)	\$ 15,862,192	8
Earnings (losses) per share (in dollars)	6(35)								
Basic earnings (losses) per share		(\$ 24.99)		\$ 6.43		(\$ 18.62)		\$ 23.19	
Diluted earnings (losses) per share		(\$ 24.99)		\$ 6.43		(\$ 18.62)		\$ 23.18	

The accompanying notes are an integral part of these consolidated financial statements.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars)

(Reviewed, not audited)

Equity attributable to shareholders of the parent													
Notes	Share capital- common stock	Capital surplus	Retained earnings			Other equity					Total	Non- controlling interests	Total equity
			Legal reserve	Special reserve	Unappropriated earnings	Financial statement translation differences of foreign operations	Unrealized gains on financial assets at fair value through other comprehensive income	Other compre- hensive income (loss) reclassified by using overlay approach	Gain (loss) on hedging instruments				
For the nine months ended September 30, 2021													
	\$ 5,461,792	\$ 2,818,336	\$ 12,544,333	\$ 381,843	\$ 42,338,324	(\$ 496,286)	\$ 2,069,100	\$ 349,885	\$ 10,377	\$ 65,477,704	\$ 18,407,638	\$ 83,885,342	
	-	-	-	-	12,667,726	-	-	-	-	12,667,726	2,489,377	15,157,103	
	-	-	-	-	-	(149,548)	992,719	(42,685)	(32,464)	768,022	(62,933)	705,089	
	-	-	-	-	12,667,726	(149,548)	992,719	(42,685)	(32,464)	13,435,748	2,426,444	15,862,192	
Appropriation and distribution of retained earnings:													
6(28) Legal reserve	-	-	1,381,630	-	(1,381,630)	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(9,285,046)	-	-	-	-	(9,285,046)	(1,645,483)	(10,930,529)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	435,000	435,000	
Changes in ownership interests in subsidiaries	-	(10,155)	-	-	-	-	-	-	-	(10,155)	10,155	-	
Balance at September 30, 2021	\$ 5,461,792	\$ 2,808,181	\$ 13,925,963	\$ 381,843	\$ 44,339,374	(\$ 645,834)	\$ 3,061,819	\$ 307,200	(\$ 22,087)	\$ 69,618,251	\$ 19,633,754	\$ 89,252,005	
For the nine months ended September 30, 2022													
	\$ 5,461,792	\$ 2,807,477	\$ 13,925,963	\$ 381,843	\$ 47,944,833	(\$ 556,123)	\$ 3,265,105	\$ 563,781	(\$ 23,820)	\$ 73,770,851	\$ 20,695,114	\$ 94,465,965	
(Loss) profit for the period	-	-	-	-	(10,171,868)	-	-	-	-	(10,171,868)	2,787,098	(7,384,770)	
Other comprehensive income (loss) for the period	-	-	-	-	-	332,753	(1,630,313)	(737,267)	75,758	(1,959,069)	170,696	(1,788,373)	
Total comprehensive income (loss)	-	-	-	-	(10,171,868)	332,753	(1,630,313)	(737,267)	75,758	(12,130,937)	2,957,794	(9,173,143)	
Appropriation and distribution of retained earnings:													
6(28) Legal reserve	-	-	1,627,319	-	(1,627,319)	-	-	-	-	-	-	-	
Cash dividends	-	-	-	-	(10,923,584)	-	-	-	-	(10,923,584)	(1,992,722)	(12,916,306)	
Difference between proceeds on disposal of equity interest in subsidiary and its carrying amount	-	119,102	-	-	-	-	-	-	-	119,102	(120,102)	(1,000)	
Changes in ownership interests in subsidiaries	-	4,607	-	-	-	-	-	-	-	4,607	5,543	10,150	
Reorganization	-	(897)	-	-	-	-	-	-	-	(897)	897	-	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	5,447,064	5,447,064	
Balance at September 30, 2022	\$ 5,461,792	\$ 2,930,289	\$ 15,553,282	\$ 381,843	\$ 25,222,062	(\$ 223,370)	\$ 1,634,792	(\$ 173,486)	\$ 51,938	\$ 50,839,142	\$ 26,993,588	\$ 77,832,730	

The accompanying notes are an integral part of these consolidated financial statements.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars)

(Reviewed, not audited)

	Notes	Nine months ended September 30,	
		2022	2021
Cash flows from operating activities			
Consolidated (loss) profit before income tax		(\$ 5,318,395)	\$ 19,384,755
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(2)	652,981 (	671,619)
Provision for financial guarantee expense		19,988	33,387
Expected credit impairment loss (gain on reversal) of investment		(29)	9
Expected credit impairment loss of non-investment		1,192,784	822,003
Profit or loss reclassified by applying overlay approach		(724,024 ) (	40,507)
Depreciation	6(11)(12)(14)(32)	8,751,287	7,886,084
Amortization	6(32)	93,824	96,921
Impairment loss	6(16)	1,092,475	-
Compensation cost of share-based payments		10,150	-
Impairment loss of rental assets	6(11)	2,341	16,474
Profit from lease modification	6(12)	(881 ) (	2,945)
Net gain on disposal of property, plant and equipment		(9,619 ) (	23,985)
Share of profit of associates accounted for using the equity method	6(10)	(1,567,716 ) (	1,497,350)
Interest expense		2,100,259	1,403,958
Interest income	6(30)	(11,915,002 ) (	9,010,993)
Dividend income		(233,534 ) (	204,982)
Unrealized profit from sales		23,318	114,833
Realized profit from sales		(66,381 ) (	44,478)
Exchange gain		121,239 (	823)
Changes in assets and liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Financial assets at fair value through profit or loss		2,278,429 (	1,954,834)
Contract assets		620 (	1,734)
Notes and accounts receivable		(35,912,953 ) (	29,787,815)
Other receivables		(556,294 ) (	91,646)
Inventories		1,990,329	7,201,874
Prepayments		(469,808 ) (	171,251)
Reinsurance contract assets		(825,674 ) (	864,480)
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss		(3,997 ) (	53,848)
Contract liabilities		62,117 (	293,897)
Notes and accounts payable		1,430,748 (	5,506,333)
Accrued expenses		(1,778,598 ) (	641,246)
Other payables		202,446	50,378
Commission payable		(120,791 ) (	20,037)
Due to reinsurance and ceding companies		160,083	21,121
Claims payable		87,337	12,040
Advance receipts		(45,178 ) (	278,188)
Other current liabilities		16,668,348	1,986,409
Provisions		15,639	1,251,470
Other liabilities		(26 ) (	28)
Cash outflow generated from operations		(22,592,158 ) (	10,881,303)
Cash dividends received		823,822	836,520
Income tax paid		(4,875,973 ) (	3,633,984)
Interest received		11,893,221	9,042,662
Interest paid		(2,020,867 ) (	1,433,755)
Net cash used in operating activities		(16,771,955 ) (	6,069,860)

(Continued)

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)
(Reviewed, not audited)

	Notes	Nine months ended September 30,	
		2022	2021
<u>Cash flows from investing activities</u>			
Decrease (increase) in financial assets at fair value through other comprehensive income		\$ 675,043	(\$ 17,238)
Increase in other financial assets		(427,615)	(67,366)
Acquisition of investments accounted for using the equity method	6(10)	(350)	-
Acquisition of property, plant and equipment	6(11)	(17,710,546)	(15,633,909)
Proceeds from disposal of property, plant and equipment		430,406	587,307
Acquisition of intangible assets	6(15)	(35,672)	(150,559)
Increase in other assets		(2,665,315)	(1,582,257)
Proceeds from acquisition of investment properties	6(14)	(290)	(227,805)
Net cash used in investing activities		(19,734,339)	(17,091,827)
<u>Cash flows from financing activities</u>			
Proceeds from issuance of bonds	6(20)	10,000,000	5,200,000
Repayment of bonds	6(37)	-	(2,400,000)
Increase in short-term loans	6(37)	34,028,891	11,334,494
(Decrease) increase in short-term notes and bills payable	6(37)	(7,909,068)	15,214,099
Proceeds from long-term loans	6(37)	648,820	1,900,952
Repayments of long-term loans	6(37)	(690,000)	(1,858,667)
Repayment of principal portion of lease liability	6(37)	(358,067)	(433,713)
Increase in guarantee deposits received	6(37)	998,852	1,352,162
Cash dividends paid	6(28)	(10,923,584)	(9,285,046)
Cash dividends paid from subsidiaries to non-controlling interests		(1,992,722)	(1,645,483)
Proceeds from disposal of ownership interests in subsidiaries (without losing control)	4(3)	332,350	-
Preference share issued by subsidiaries		5,000,000	-
Change in non-controlling interests		113,713	435,000
Net cash provided by financing activities		29,249,185	19,813,798
Net effect of changes in foreign currency exchange rates		317,088	(115,047)
Decrease in cash and cash equivalents		(6,940,021)	(3,462,936)
Cash and cash equivalents at beginning of period		25,813,580	18,525,991
Cash and cash equivalents at end of period		<u>\$ 18,873,559</u>	<u>\$ 15,063,055</u>

The accompanying notes are an integral part of these consolidated financial statements.

HO TAI MOTOR CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

(Reviewed, not audited)

1. History and Organization

Ho Tai Motor Co., Ltd. (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in import, trading, selling and repairing of vehicles and their parts, as well as installment sales and leases of vehicles, and sales of used vehicles and business of property insurance.

2. The Date of Authorisation for Issuance of the Financial Statements and Procedures for Authorisation

These consolidated financial statements were reported to the Board of Directors on November 10, 2022.

3. Application of New Standards, Amendments and Interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Amendments to IFRS 3, ‘Reference to the conceptual framework’	January 1, 2022
Amendments to IAS 16, ‘Property, plant and equipment: proceeds before intended use’	January 1, 2022
Amendments to IAS 37, ‘Onerous contracts - cost of fulfilling a contract’	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2023 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Amendments to IAS 1, ‘Disclosure of accounting policies’	January 1, 2023
Amendments to IAS 8, ‘Definition of accounting estimates’	January 1, 2023
Amendments to IAS 12, ‘Deferred tax related to assets and liabilities arising from a single transaction’	January 1, 2023

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(3) Effects of IFRSs issued by IASB but not yet endorsed by the FSC

New and revised standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New and revised Standards, Interpretations and Amendments</u>	<u>Effective date issued by International Accounting Standards Board</u>
Amendments to IFRS 10 and IAS 28, ‘Sale or contribution of assets between an investor and its associate or joint venture’	To be determined by International Accounting Standards Board
Amendments to IFRS 16, ‘Lease liability in a sale and leaseback’	January 1, 2024
IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendments to IFRS 17, ‘Insurance contracts’	January 1, 2023
Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’	January 1, 2023
Amendments to IAS 1, ‘Classification of liabilities as current or non-current’	January 1, 2023
Amendments to IAS 1, ‘Non-current Liabilities with Covenants’	January 1, 2023

Except for the following, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 17, ‘Insurance contracts’

IFRS 17 ‘Insurance Contracts’ replaces IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The standard applies to insurance contracts (including reinsurance contracts) issued, to reinsurance contracts held and to investment contracts with discretionary participation features issued, provided the entity also issues insurance contracts. Embedded derivatives, distinct investment components and distinct performance obligations shall be separated from the insurance contracts. An entity shall disaggregate a portfolio into three groups of contracts at initial recognition: onerous, no significant risk of becoming onerous, and remaining contracts. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin (‘CSM’) representing the unearned profit of the contract. An entity may apply a modified simplified measurement approach (the premium allocation approach) to some insurance contracts. An entity recognizes the profit from a group

of insurance contracts over the period the entity provides insurance coverage, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately. Entities are required to separately present insurance revenue, insurance service expenses and insurance finance income or expenses and to disclose information about amounts, judgements and risks arising from insurance contracts.

B. Amendments to IFRS 17, ‘Insurance contracts’

The amendments to IFRS 17 include the deferral of effective date, expected recovery of insurance acquisition cash flows, contractual service margin attributable to investment services, reinsurance contracts held – recovery of losses and other amendments, and they are not intended to change the fundamental principles of the standard.

C. Amendment to IFRS 17, ‘Initial application of IFRS 17 and IFRS 9 – comparative information’

The amendment permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The overlay can be applied by entities that have already applied IFRS 9 or will apply it when they apply IFRS 17.

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, “Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance” and IAS 34, “Interim financial reporting” as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.
- (d) The insurance liabilities and reinsurance reserve assets recognized in accordance with specific statutory requirements and regulations relevant to insurance enterprises.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the

process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to the shareholders of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. All amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognized in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- (f) For the nine months ended September 30, 2022 and 2021, the subsidiaries included in the consolidated financial statements except for Hozan Investment Co., Ltd., Hotai Finance Co., Ltd., Hotai Leasing Co., Ltd., Hotai Insurance Co., Ltd., Hoyun International Limited and Hoyun International Lease Co., Ltd., which were evaluated and disclosed in accordance with their reviewed financial statements, other subsidiaries were evaluated and disclosed in accordance with their unreviewed financial statements.

B. Subsidiaries included in the consolidated financial statements:

Investor	Investee	Main business activities	Ownership (%)			Note
			September 30, 2022	December 31, 2021	September 30, 2021	
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Equity investments in Mainland China (trading and repairing of vehicles and their parts)	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	General investment	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	Sales of vehicles and parts for industry use	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	Agent for sales of air conditioning system and contracting of air conditioning construction	45.01	45.01	45.01	Note 2
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Trading of vehicle products/accessories	51.00	51.00	51.00	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Sales of vehicles and parts and repairing of vehicles	100.00	100.00	100.00	
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	20.00	20.00	20.00	Note 1
Ho Tai Motor Co., Ltd.	Hotai Connected Co., Ltd	E-commerce platform services	70.00	100.00	100.00	Note 3, 14
Ho Tai Motor Co., Ltd.	Hotai Auto Body Manufacturing Co., Ltd.	Assembly of vehicle bodies	50.00	50.00	50.00	Note 1, 6
Ho Tai Motor Co., Ltd.	He Jun Energy Co., Ltd.	Solar power	18.00	-	-	Note 1, 15
Ho Tai Motor Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	Sales of vehicle bodies	100.00	-	-	Note 18
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tianjin Ho Yu Investment Co., Ltd.	Equity investments in Mainland China, trading and repairing of vehicles and their parts	70.00	70.00	70.00	
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Hotong Motor Investment Co., Ltd.	Operation decision making, capital and financial management, information services, employee trainings and other services	100.00	100.00	100.00	
Tianjin Ho Yu Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	75.00	75.00	75.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	

Investor	Investee	Main business activities	Ownership (%)			Note
			September 30, 2022	December 31, 2021	September 30, 2021	
Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Ho Mian Motor Technology Co., Ltd.	Trading of vehicle products / accessories and property management	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co., Ltd.	Consulting services	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	Trading of vehicle products / accessories and property management	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co., LTD.	Sales and repairing of vehicles	70.00	70.00	70.00	
Hotong Motor Investment Co., Ltd.	Shanghai Fengyi Construction Decoration Co., Ltd.	Property management	70.00	70.00	70.00	
Hotong Motor Investment Co., Ltd.	Shanghai Zhongxin Means of Transportation Engineering Co., Ltd.	Property management	100.00	100.00	100.00	
Hotong Motor Investment Co., Ltd.	Qingdao Heling Lexus Automobile Sale Service Co., Ltd.	Sales and repairing of vehicles	70.00	-	-	Note 13
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Zaozhuang Ho-Wan Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	25.00	25.00	25.00	Note 1
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	23.81	23.81	Note 1, 5
Shanghai Hoyu Motor Service Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	Advertisement design and production	100.00	100.00	100.00	
Shanghai Heling Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	23.81	23.81	Note 1, 5
Shanghai Heling Motor Service Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	100.00	100.00	100.00	
Shanghai Heling Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	Sales of imported cars	100.00	100.00	100.00	
Shanghai Heling Motor Service Co., Ltd.	Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	40.00	40.00	-	Note 1, 10, 21
Shanghai Hozhan Motor Service Co., Ltd.	Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	23.81	23.81	23.81	Note 1, 5
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	30.00	30.00	-	Note 1, 10, 21
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	30.00	30.00	-	Note 1, 10, 21
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	Leasing of vehicles	66.04	66.04	66.04	

Investor	Investee	Main business activities	Ownership (%)			Note
			September 30, 2022	December 31, 2021	September 30, 2021	
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Installment trading and leasing of various vehicles	45.39	45.39	45.39	Note 2
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd.	Property and casualty insurance services	99.80	99.80	99.80	
Hozan Investment Co., Ltd.	Hoati Innovation Marketing Co., Ltd.	Retail and wholesale of collections	-	-	100.00	Note 11
Hotai Connected Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	41.10	41.10	41.10	Note 1, 7
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	27.40	27.40	27.40	Note 1, 7
Hotai Mobility Service Co., Ltd.	ChyuanAn Transport Co., Ltd.	Taxi service	100.00	100.00	100.00	
Hotai Mobility Service Co., Ltd.	YuCheng Transport Co., Ltd.	Taxi service	100.00	100.00	100.00	
Hotai Finance Co., Ltd.	Hoyun International Limited	General investment	50.50	50.50	50.50	
Hotai Leasing Co., Ltd.	Hoyun International Limited	General investment	49.50	49.50	49.50	Note 1
Hotai Finance Co., Ltd.	Hoing Mobility Service Corporation	Leasing of vehicles	50.82	50.82	50.82	
Hotai Connected Co., Ltd.	Hoing Mobility Service Corporation	Leasing of vehicles	49.18	49.18	49.18	Note 1, 4
Hotai Connected Co., Ltd.	Ho Young Travel Agency Co., Ltd.	Tourism industry	100.00	-	-	Note 17
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	Installment trading of various vehicles	81.00	81.00	-	Note 10
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Solar power	80.00	-	-	Note 15
He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co., Ltd.	Solar power	100.00	-	-	Note 19
Hoyun International Limited	Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	100.00	100.00	100.00	Note 20
Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	100.00	100.00	100.00	
Hoyun International Lease Co., Ltd.	Hoyun (Shanghai) Vehicle Leasing Ltd.	Leasing of cars	100.00	100.00	100.00	Note 8
Hoyun International Lease Co., Ltd.	Hangzhou Yiyou Network Technology Co., Ltd.	Leasing business	100.00	-	-	Note 16
Hoyun International Lease Co., Ltd.	Homei Consulting (Suzhou) Company Limited	Consulting services	100.00	-	-	Note 17
Hoyun International Lease Co., Ltd.	Hangzhou Wangyou Technology Co., Ltd.	Leasing business	100.00	-	-	Note 16
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	General investment	100.00	100.00	100.00	
Toyota Material Handling Taiwan Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	100.00	100.00	100.00	
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Repairing of air conditioning equipment and trading of their parts	100.00	100.00	100.00	
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	Trading of air conditioning equipment and their peripherals	100.00	100.00	100.00	
Ho Tai Development Co., Ltd.	3A Express Co., Ltd.	Freight forwarders	51.00	51.00	51.00	

Investor	Investee	Main business activities	Ownership (%)			Note
			September 30, 2022	December 31, 2021	September 30, 2021	
3A Express Co., Ltd.	Long Hao Crane Engineering Co., Ltd.	Crane and hoist services engineering and transportation and storage	-	-	100.00	Note 12
3A Express Co., Ltd.	Ho Tai Transportation Co., Ltd.	Freight forwarders	100.00	100.00	100.00	
3A Express Co., Ltd.	Ho Tai Crane Engineering Co., Ltd.	Freight forwarders	-	-	100.00	Note 12
3A Express Co., Ltd.	Long Ho Crane Engineering Co., Ltd.	Crane and hoist services engineering and transportation and storage	-	-	100.00	Note 12
3A Express Co., Ltd.	Long Hao Removal Transport Services Co., Ltd.	Freight forwarders	100.00	100.00	100.00	
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	General investment	100.00	100.00	100.00	
Air Master International Co., Ltd.	He Zhan Development Co., Ltd.	Trading of air conditioning equipment	100.00	100.00	100.00	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	100.00	100.00	100.00	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Electronic parts and components manufacturing	61.77	61.77	61.77	
Eastern Motor Co., Ltd.	Doroman Autoparts Co., Ltd.	Wholesale and retail of vehicles parts and accessories	100.00	100.00	100.00	
Eastern Motor Co., Ltd.	DALEON AUTO PARTS AND ACCESSORIES CORPORATION	Wholesale and retail of vehicles parts and accessories	100.00	100.00	100.00	
Eastern Motor Co., Ltd.	Hotai Mobility Service Co., Ltd.	Taxi dispatch service	0.68	0.68	0.68	Note 1, 7
Eastern Motor Co., Ltd.	Hotai Connected Co., Ltd.	E-Commerce Trading Platform Services	0.50	-	-	Note 14
Chang Yuan Motor Co., Ltd.	Hotai Auto Body Manufacturing Co., Ltd.	Assembly of vehicle bodies	20.00	20.00	20.00	Note 6
Hotai Auto Body Manufacturing Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	Sales of vehicle bodies	-	100.00	100.00	Note 9, 18

Note 1: The Group holds more than 50% shareholding in the subsidiary.

Note 2: The abovementioned investees whose equity were held directly or indirectly by the Group not exceeding 50%, were regarded as subsidiaries and consolidated in the Company's financial statements, since the Company could control over a half of voting rights in the Board of Directors.

Note 3: On January 21, 2021, the Company increased investment in Hotai Connected Co., Ltd. in the amount of \$300,000 and acquired 30,000,000 shares.

Note 4: On January 28, 2021, the Company's subsidiary, Hotai Leasing Co., Ltd., disposed of all its shares of Hoing Mobility Service Co., Ltd. to Hotai Connected Co., Ltd. for \$360,000; as a result, its shareholding ratio decreased to 0%. However, Hotai Connected Co., Ltd. increased its shareholding ratio to 49.18%.

Note 5: On March 5, 2021, the Company's subsidiaries, Shanghai Hoyu Motor Service Co., Ltd., Shanghai Heling Motor Service Co., Ltd. and Shanghai Hozhan Motor Service Co., each invested RMB 400 thousand to participate in the capital increase of Shanghai Hede Used Vehicle Co., Ltd., which was not in proportion to its interests; as a result, each subsidiary increased its shareholding ratio to 23.81%.

Note 6: On March 30, 2021, the Company and its subsidiary, Chang Yuan Motor Co., Ltd., invested \$500,000 and \$200,000, respectively, to participate in the capital increase of

Ho Xing International Automobile Co., Ltd.; as a result, their shareholding ratios increased to 50% and 20%, respectively. The investee was renamed as Hotai Auto Body Manufacturing Co., Ltd. on April 29, 2021.

Note 7: On April 29, 2021, the Company's subsidiary, Eastern Motor Co., Ltd. participated in the capital increase of Hotai Mobility Service Co., Ltd. amounting to \$3,000. The shareholding ratio was 0.68%. As subsidiaries, Hotai Connected Co., Ltd. and Hotai Finance Co., Ltd. did not participate in the capital increase, their shareholding ratio of Hotai Mobility Service Co., Ltd. decreased to 41.10% and 27.40% from 60% and 40%, respectively.

Note 8: The subsidiary was established in the first quarter of 2021.

Note 9: The subsidiary was established in the third quarter of 2021.

Note 10: The subsidiary was established in the fourth quarter of 2021.

Note 11: The Board of Directors of subsidiaries, Hotai Innovation Marketing Corporation and Hotai Connected Co., Ltd., resolved to merge. The effective date was set on December 31, 2021. After the merger, Hotai Connected Co., Ltd. was the surviving company while Hotai Innovation Marketing Corporation was the dissolved company.

Note 12: It had been liquidated and dissolved in the fourth quarter of 2021.

Note 13: Qingdao Heling Lexus Automobile Sale Service Co., Ltd. was newly invested and established by Hotong Motor Investment Co., Ltd. in December 2021. The investment amounted to RMB \$21 million and the Company's shareholding ration was 70%.

Note 14: On January 20, 2022, the Company disposed of 30% of the shares of Hotai Connected Co., Ltd. at the consideration of \$337,983 (net of transfer tax), and the Company's subsidiary, Eastern Motor Co., Ltd. participated in subscribing shares and the shareholding ratio was increased from 0% to 0.5%.

Note 15: On February 22, 2022, the Company and the Company's subsidiary, Hotai Finance Co., Ltd. participated in the capital increase of He Jun Energy Co., Ltd. amounting to \$180,000 and \$800,000, and the shareholding ratio was 18% and 80%, respectively.

Note 16: The subsidiary was acquired in May, 2022.

Note 17: The subsidiary was established in June, 2022.

Note 18: On August 4, 2022, the Company's subsidiary, Hotai Auto Body Manufacturing Co., Ltd. disposed of 100% of the shares of Hotai Auto Body Sales Co., Ltd. to the Company at the consideration of \$40,000.

Note 19: The subsidiary was acquired in September, 2022.

Note 20: Hoyun International Lease Co., Ltd. was renamed as Hoyun International Lease Co., Ltd. in September, 2022.

Note 21: Shanghai Hekang Equipment Leasing Co., Ltd. was renamed as Tianjin Hekang Finance Leasing Co., Ltd. in September, 2022.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interest that are material to the Group:

As of September 30, 2022, December 31, 2021 and September 30, 2021, the non-controlling interest amounted to \$26,993,588, \$20,695,114 and \$19,633,754, respectively. The information

of non-controlling interest that are material to the Group and respective subsidiaries is as follows:

<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Non-controlling interest</u>			
		<u>September 30, 2022</u>		<u>December 31, 2021</u>	
		<u>Amount</u>	<u>Ownership (%)</u>	<u>Amount</u>	<u>Ownership (%)</u>
Hotai Finance Co., Ltd.	Taiwan	\$ 17,863,750	54.610%	\$ 12,426,650	54.610%
Hotai Leasing Co., Ltd.	Taiwan	1,724,527	33.958%	1,633,775	33.958%

<u>Name of subsidiary</u>	<u>Principal place of business</u>	<u>Non-controlling interest</u>	
		<u>September 30, 2021</u>	
		<u>Amount</u>	<u>Ownership (%)</u>
Hotai Finance Co., Ltd.	Taiwan	\$ 11,923,069	54.610%
Hotai Leasing Co., Ltd.	Taiwan	1,538,790	33.958%

Summarized financial information of the subsidiaries:

Balance sheets

	<u>Hotai Finance Co., Ltd.</u>		
	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current assets	\$ 222,213,851	\$ 188,826,138	\$ 176,883,395
Non-current assets	16,215,641	12,733,058	11,974,137
Current liabilities	(205,589,181)	(175,220,568)	(163,968,558)
Non-current liabilities	(963,836)	(844,949)	(681,078)
Total net assets	<u>\$ 31,876,475</u>	<u>\$ 25,493,679</u>	<u>\$ 24,207,896</u>

	<u>Hotai Leasing Co., Ltd.</u>		
	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current assets	\$ 4,050,121	\$ 3,779,647	\$ 3,361,594
Non-current assets	38,168,599	35,248,653	34,241,302
Current liabilities	(24,043,772)	(20,097,307)	(20,678,567)
Non-current liabilities	(13,096,536)	(14,119,829)	(12,392,879)
Total net assets	<u>\$ 5,078,412</u>	<u>\$ 4,811,164</u>	<u>\$ 4,531,450</u>

Statements of comprehensive income

	<u>Hotai Finance Co., Ltd.</u>	
	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Revenue	\$ 5,914,182	\$ 4,507,206
Profit before income tax	1,369,526	1,179,065
Income tax expense	(325,114)	(339,514)
Profit for the period	<u>1,044,412</u>	<u>839,551</u>
Other comprehensive income (loss) for the period, net of tax	<u>37,337</u>	<u>(45,194)</u>
Total comprehensive income for the period	<u>\$ 1,081,749</u>	<u>\$ 794,357</u>
Comprehensive income attributable to	<u>\$ 511,224</u>	<u>\$ 391,200</u>

non-controlling interests

	<u>Hotai Finance Co., Ltd.</u>	
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Revenue	\$ 16,561,651	\$ 12,866,424
Profit before income tax	3,996,188	3,297,256
Income tax expense	(964,326)	(831,314)
Profit for the period	<u>3,031,862</u>	<u>2,465,942</u>
Other comprehensive income (loss) for the period, net of tax	<u>303,786</u>	<u>(122,027)</u>
Total comprehensive income for the period	<u>\$ 3,335,648</u>	<u>\$ 2,343,915</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 1,612,772</u>	<u>\$ 1,167,352</u>

	<u>Hotai Leasing Co., Ltd.</u>	
	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Revenue	\$ 5,037,654	\$ 4,442,825
Profit before income tax	340,124	324,127
Income tax expense	(75,787)	(71,093)
Profit for the period	<u>264,337</u>	<u>253,034</u>
Other comprehensive income (loss) for the period, net of tax	<u>9,748</u>	<u>(5,981)</u>
Total comprehensive income for the period	<u>\$ 274,085</u>	<u>\$ 247,053</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 93,074</u>	<u>\$ 76,894</u>

	<u>Hotai Leasing Co., Ltd.</u>	
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Revenue	\$ 14,605,824	\$ 13,218,249
Profit before income tax	1,066,981	948,885
Income tax expense	(251,510)	(217,181)
Profit for the period	<u>815,471</u>	<u>731,704</u>
Other comprehensive income (loss) for the period, net of tax	<u>46,937</u>	<u>(26,150)</u>
Total comprehensive income for the period	<u>\$ 862,408</u>	<u>\$ 705,554</u>
Comprehensive income attributable to non-controlling interests	<u>\$ 292,857</u>	<u>\$ 232,592</u>

Statements of cash flows

	<u>Hotai Finance Co., Ltd.</u>	
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Net cash used in operating activities	(\$ 30,134,014)	(\$ 24,482,758)
Net cash used in investing activities	(1,877,506)	(2,662,503)
Net cash provided by financing activities	32,945,069	27,464,464
Net effect of changes in foreign currency exchange rates	<u>192,943</u>	<u>(52,832)</u>
Increase in cash and cash equivalents	1,126,492	316,371
Cash and cash equivalents, beginning of period	<u>1,058,573</u>	<u>390,420</u>
Cash and cash equivalents, end of period	<u>\$ 2,185,065</u>	<u>\$ 706,791</u>

	<u>Hotai Leasing Co., Ltd.</u>	
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Net cash provided by operating activities	\$ 11,748,861	\$ 10,177,357
Net cash used in investing activities	(13,376,645)	(11,444,785)
Net cash provided by financing activities	<u>1,768,389</u>	<u>1,284,417</u>
Increase in cash and cash equivalents	140,705	16,989
Cash and cash equivalents, beginning of period	<u>109,655</u>	<u>86,941</u>
Cash and cash equivalents, end of period	<u>\$ 250,360</u>	<u>\$ 103,930</u>

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollar ("NTD"), which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in profit or loss in the period in which they arise, except when deferred in other comprehensive income as qualifying cash flow hedges.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognized in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured

at fair value are translated using the historical exchange rates at the dates of the initial transactions.

- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within “foreign exchange gains or losses”.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and jointly arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
- (c) All resulting exchange differences are recognized in other comprehensive income.

(5) Classification of current and non-current items

Consolidated subsidiaries are engaged in installment sales, and the operating cycle usually exceeds 1 year. The consolidated subsidiaries use the operating cycle as its criterion for classifying current or non-current assets and liabilities related to installment sales. For other assets and liabilities, the criteria are as follows:

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

- (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
- (b) Assets held mainly for trading purposes;
- (c) Assets that are expected to be realized within twelve months from the balance sheet date;
- (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

- (a) Liabilities that are expected to be settled within the normal operating cycle;
- (b) Liabilities arising mainly from trading activities;
- (c) Liabilities that are to be settled within twelve months from the balance sheet date;
- (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits and short-term notes and bills that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income. The Group's subsidiary, Hotai Insurance Co., Ltd., could designate financial assets at fair value through profit or loss using overlay approach when financial assets meet the following conditions:
- (a) It is measured at fair value through profit or loss applying IFRS 9 but would not have been measured at fair value through profit or loss in its entirety applying IAS 39; and
 - (b) It is not held in respect of an activity that is unconnected with contracts within the scope of IFRS 4.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures the financial assets at fair value with any gain or loss recognized in profit or loss.
- D. The Group recognizes the dividend income when the right to receive dividends is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.
- E. Subsidiary, Hotai Insurance Co., Ltd., reclassifies between profit or loss and other comprehensive income an amount for the designated financial assets applying overlay approach. Accordingly, the amount reclassified is equal to the difference between:
- (a) The amount reported in profit or loss for the designated financial assets applying overlay approach if IFRS 9 had been applied; and
 - (b) The amount that would have been reported in profit or loss for the designated financial assets applying overlay approach if IAS 39 had been applied.

(8) Financial assets at fair value through other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognize changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
- (a) The objective of the Group's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognized and derecognized using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:
- (a) The changes in fair value of equity investments that were recognized in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognized as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognized in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(11) Impairment of financial assets

A. For financial assets at fair value through other comprehensive income, receivables, and financial assets at amortized cost, at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

B. The Group will perform the following procedure when the financial assets are assessed as having a significant increase in credit risk after initial recognition:

(a) Financial assets at fair value through other comprehensive income

Reclassify the amount of credit loss which originally are unrealized gains (losses) of accumulated losses of other comprehensive income as profit or loss.

(b) Financial assets at amortized cost

Decrease its carrying amount through an allowance account. When financial assets at amortized cost are assessed as no longer recoverable, write-off the allowance accounts. For proceeds that were previously written-off and subsequently recovered, credit the allowance account. Except for financial assets at amortized cost that are assessed as no longer recoverable and written-off allowance accounts, the carrying amount of allowance accounts are recognized in profit or loss.

(12) Loss allowance of the subsidiary, Hotai Insurance Co., Ltd.

The Group's subsidiary, Hotai Insurance Co., Ltd., provisioned for an appropriate allowance loss under IFRS 9 and IFRS 4 for receivables, financial assets measured at amortized cost and reinsurance contract assets.

(13) Derecognition of financial assets

The Group derecognizes a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained the control of the financial asset.

(14) Leasing arrangements (lessor) - lease receivables/operating leases

- A. Based on the terms of a lease contract, a lease is classified as a finance lease if the lessee assumes substantially all the risks and rewards incidental to ownership of the leased asset.
 - (a) At commencement of the lease term, the lessor should record a finance lease in the balance sheet as 'lease receivables' at an amount equal to the net investment in the lease (including initial direct costs). The difference between gross lease receivable and the present value of the receivable is recognized as 'unearned finance income of finance lease'.
 - (b) The lessor should allocate finance income over the lease term based on a systematic and rational basis reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.
 - (c) Lease payments (excluding costs for services) relating to the lease term are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.
- B. Lease income from an operating lease (net of any incentives given to the lessee) is recognized in profit or loss on a straight-line basis over the lease term.

(15) Inventories

Inventories are stated at the lower of cost and net realizable value. Except for the cost of inventories of Ho Tai Development Co., Ltd. which is determined using the weighted-average method, the cost of inventories of all other entities in the group is determined using the moving average method. The item by item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

(16) Non-current assets held for sale

Assets that are highly probable to be sold in the future rather than recovering their carrying amount through sustaining use are classified as assets held for sale by the Company's subsidiary, Hotai Insurance Co., Ltd., which was measured at the lower of its carrying amount or fair value less costs to sell.

(17) Investments accounted for using the equity method/associates

- A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognized at cost.
- B. The Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

- C. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- D. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for using the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.
- F. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognized in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(18) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
- B. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each component of property, plant and equipment that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate using IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	3 ~ 60 years
Utility equipment	5 ~ 10 years
Office equipment	1 ~ 20 years
Machinery and equipment	1 ~ 15 years
Leasehold improvements	1 ~ 35 years

(19) Leasing arrangements (lessee) - right-of-use assets/lease liabilities

- A. Leases are recognized as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognized as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate or the interest rate implicit in the lease. Lease payments are fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognized as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

- C. At the commencement date, the right-of-use asset is stated at cost comprising the amount of the initial measurement of lease liability.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognized as an adjustment to the right-of-use asset.

(20) Investment property

- A. An investment property is stated initially at its cost and measured subsequently using the cost model.
- B. The significant improvements, additions and betterments of an item of investment property shall be recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of those parts that are replaced is derecognized. General repairs and maintenance are charged to current expenses.
- C. An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. When assets are derecognized, the cost and the accumulated depreciation at the time of sale or retirement are written off. Gain and loss on sale of the investment property, rental income, and relevant payment shall be recognized in gain and loss on investment property under net investment income (loss). Except for land, property (including accessory equipment) is depreciated on a straight-line basis over its estimated useful life of 2~60 years. Each part of an item of investment property with a cost that is significant in relation to the total cost of the

item shall be depreciated separately. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change.

D. Investment property of the Group's subsidiary-Hotai Insurance Co., Ltd. including the office building and land rented in the form of an operating lease are to generate rental income or capital increase or both. Investment property is recognized initially at cost plus transaction costs incurred and subsequently applies cost model measuring at cost net of accumulated depreciation and impairment. Part of the property may be held by the Group and another part generates rental income or capital increase. If the property held by the Group can be sold individually, then the accounting treatment should be made separately. IAS 16 as endorsed by FSC applies to the self-used property, and property used to generate rental income or capital increase or both is applicable for investment property set out in IAS 40 as endorsed by FSC. If each part of the property cannot be sold individually and the self-used proportion is not material, then the property is deemed as investment property in its entirety.

(21) Intangible assets

A. Computer software

Intangible assets held by the Group pertain to computer software which are stated at cost and subsequently measured using the cost model. The computer software has a finite useful life and is amortized on a straight-line basis over its estimated economic useful life of 3~5 years.

B. Goodwill

Goodwill arises from business combination accounted for using the acquisition method. Goodwill acquired in business combination shall be tested for impairment at least once a year. Impairment loss is recognized when the goodwill is impaired. Impairment loss of goodwill that has been recognized shall not be reversed.

C. Client relationship

Arising from business combination, and amortized on a straight-line basis over 30 years.

D. Trademark right

Trademark right is stated at cost and regarded as having an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. Trademark right is not amortised, but is tested annually for impairment.

(22) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized.

- B. The recoverable amounts of goodwill and intangible assets with an indefinite useful life that have not yet been available for use are evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination.

(23) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

(24) Notes and accounts payable

- A. Liabilities for purchases of raw materials, goods or services and notes payables resulting from operating and non-operating activities.
- B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(25) Financial liabilities at fair value through profit or loss

- A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.
- B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Group subsequently measures the financial liabilities at fair value with any gain or loss recognized in profit or loss.

(26) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(27) Ordinary corporate bonds

Ordinary corporate bonds issued by the Group are initially recognized at fair value, net of transaction costs incurred. Ordinary corporate bonds are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss as an adjustment to the 'interest expense' over the period of bond circulation using the effective interest method.

(28) Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

At initial recognition, the Group measures financial guarantee contracts at fair value and subsequently at the higher of the amount of provisions determined by the expected credit losses and the cumulative gains that were previously recognized.

(29) Non-hedging and embedded derivatives

- A. Non-hedging derivatives are initially recognized at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognized in profit or loss.
- B. Under the financial assets, the hybrid contracts embedded with derivatives are initially recognized as financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortized cost based on the contract terms.
- C. Under the non-financial assets, whether the hybrid contracts embedded with derivatives are accounted for separately at initial recognition is based on whether the economic characteristics and risks of an embedded derivative are closely related in the host contract. When they are closely related, the entire hybrid instrument is accounted for by its nature in accordance with the applicable standard. When they are not closely related, the derivative is accounted for differently from the host contract as derivative while the host contract is accounted for by its nature in accordance with the applicable standard. Alternatively, the entire hybrid instrument is designated as financial liabilities at fair value through profit or loss upon initial recognition.

(30) Hedge accounting

- A. At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.

- B. The Group designates the hedging relationship as follows:

Cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

- C. Cash flow hedge

- (a) The cash flow hedge reserve associated with the hedged item is adjusted to the lower of the following (in absolute amounts):

- i. The cumulative gain or loss on the hedging instrument from inception of the hedge; and
 - ii. The cumulative change in fair value of the hedged item from inception of the hedge.

- (b) The effective portion of the gain or loss on the hedging instrument is recognized in other comprehensive income. The gain or loss on the hedging instrument relating to the ineffective portion is recognized in profit or loss.

- (c) The amount that has been accumulated in the cash flow hedge reserve in accordance with item (a) is accounted for as follows:

- i. If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or a hedged forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Group shall remove that amount from the cash

flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or liability.

- ii. For cash flow hedges other than those covered by item i. above, that amount shall be reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.
- iii. If that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

(d) When the hedging instrument expires, or is sold, terminated, exercised or when the hedging relationship ceases to meet the qualifying criteria, if the forecast transaction is still expected to occur, the amount that has been accumulated in the cash flow hedge reserve shall remain in the cash flow hedge reserve until the forecast transaction occurs; if the forecast transaction is no longer expected to occur, the amount shall be immediately reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment.

(31) Provisions

Provisions (provision for warranties) are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Provisions are not recognized for future operating losses. For details of provisions for other insurance liabilities, please refer to Note 4(38).

(32) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense as it can no longer withdraw an offer of termination benefits or it recognizes relating

restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' remuneration

Employees' compensation and directors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(33) Classification of insurance contracts

The insurance and reinsurance businesses of the subsidiary, Hotai Insurance Co., Ltd. for insurance contracts newly issued or undertaken are accounted for in accordance with IFRS 4. They are tested in accordance with the subsidiary's internal control procedures to classify newly issued insurance products. Currently, insurance policies sold by Hotai Insurance Co., Ltd. are all insurance contracts.

Insurance contract is a contract under which one party (the insurer) accepts significant risk transferred from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder, including reinsurance contracts with a transferrable significant risk held. The definition of significant transferred risks employed by Hotai Insurance Co., Ltd. refers to an occurrence of any event or incident that leads to Hotai Insurance Co., Ltd.'s additional significant payment.

(34) Direct insurance income and expenses

A. Direct premiums are recognized in the year the insurance policies are issued without regard to the effective dates of the policies except premiums related to open cover policies which are recognized in the year they are earned. Premiums adjustments, including policy cancellations, are recorded in the year they occur.

B. Claims are accrued after the claim letters are received.

C. Commission expenses are accrued after the policies are issued.

(35) Reinsurance contract

Reinsurance premiums ceded and reinsurance premiums are recognized on the date the bills are received. A sufficient and reasonable method should be adopted to estimate reinsurance premiums ceded. Relevant revenues and expenses (such as reinsurance commission expenses and revenues, handling fee expenses and revenues, reinsurance claims recovery, etc.) shall all be recognized.

With the classification of reinsurance contracts, Hotai Insurance Co., Ltd. assesses whether significant insurance risk transferred to the reinsurer. If the significant insurance risks of reinsurance contracts are not transferred to reinsurer, the subsidiary should treat reinsurance contracts as deposit accounting.

Hotai Insurance Co., Ltd. evaluates the impairment losses and unrecoverable amounts of reinsurance reserve assets, claims recoverable from reinsurers, due from reinsurers and ceding companies and funds held by other insurance companies. When there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the cedant may not receive all amounts due to it under the terms of the contract; and that event has a reliably measurable impact on the amounts that the cedant will receive from the reinsurer, the cedant reduces the carrying amount accordingly and recognizes the provision for impairment loss. Allowance for doubtful debts of recoverable from the reinsurers, due from reinsurers and ceding

companies and funds held by other insurance companies is recognized when the cedant may not receive all amounts.

(36) Salvage and subrogation

Salvage legally assumed from the claim procedure by direct underwriting business and subrogation legally acquired for the rights of the subject matter and relevant claims expenses are recognized when the actual recovery is definite and the amount can be reliably measured.

(37) Underwriting pools and coinsurance

Hotai Insurance Co., Ltd. has participated in the coinsurance of compulsory automobile liability insurance, residential earthquake fund, engineering insurance association, injury insurance for acts of terrorism co-insurance organizations and Nuclear Energy Insurance Federation of the Republic of China. The Company recognizes coinsurance premiums based on its participation share.

(38) Insurance liabilities

All reserves of insurance contracts that Hotai Insurance Co., Ltd. recognized are based on “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, “Regulations Governing the Setting Aside and for Management of the Reserves of Compulsory Automobile Liability Insurance”, “Regulations Governing the Setting Aside of Nuclear Reserve by Property Insurance Enterprises”, “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance”, “Notes for Strengthening Reserve of Pool Members Residential Earthquake”, “Regulations Governing Various Reserves for Commercial Earthquake Insurance and Typhoon Flood Insurance by Property Insurance Enterprises” and “Notes for Strengthening Catastrophe Reserve of Property Insurance Enterprises”, and shall be certified by actuary authorized by the Financial Supervisory Commission. Provision for reserve is also applicable for assumed reinsurance and ceded reinsurance business, but is not applicable for special reserve and liability adequacy reserve.

Except for the reserves for one-year group accident insurance which is provided based on the higher of actual insurance premium or insurance premium calculated in accordance with the Letter No. Tai-Cai-Bao-Zi-852367814, the provision for other insurance liabilities is based on the following:

A. Unearned premium reserve

Unearned premium reserve is provided based on various risk calculation for effective contracts yet to mature or covered risks yet to terminate in the coverage period based on unexpired risks of effective and unexpired contracts or covered risks.

B. Claims reserve

Claims reserve with a coverage period are provided based on claim experience and expenses of various insurance types and are calculated based on actuarial principles. Besides, reserves are provided for “claims reported but not paid” and “claims incurred but not reported”. For “claims reported but not paid”, a reserve has been provided on an individual claim basis for each type of insurance.

C. Special reserve

Special reserves includes “catastrophe reserve” and “risk claim reserve”. Except for compulsory automobile liability insurance, nuclear insurance, residential earthquake insurance and commercial earthquake and typhoon flood insurance which are covered by other regulations requiring reserves for them to be recognized under liability, the additional provision for special

reserve less income tax should be recognized as special reserve under equity after annual closing. The release of special reserve shall be made through special reserve under equity based on its net value after tax.

D. Premium deficiency reserve

Potential claims and expenses are estimated for effective contracts yet to mature and injury insurance contracts with a coverage period. If the assessed amount is more than unearned premium reserve and expected premium income, the insufficient amount is recognized as premium deficiency reserve by product types.

E. Liability adequacy reserve

In accordance with IFRS 4, 'Insurance Contracts' and the regulations of The Actuarial Institute of the Republic of China, the subsidiary's liability adequacy test is performed using the gross premium valuation method based on all contracts of the subsidiary. At the end of each reporting period, the test is performed by comparing the carrying amount of insurance liabilities less related deferred acquisition costs and related intangible assets with current estimates of future cash flows under its insurance contracts. If the carrying amount is insufficient, the provision for liability adequacy reserve for the entire deficiency is recognized in profit or loss in the period.

F. Unqualified ceded reserve

Unqualified reinsurance ceded reserve under "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms", should be disclosed in financial statements.

Among the reserves above, except for unearned premium reserve for long-term fire insurance which was calculated at a rate of 7.8% based on the coefficient table of unearned premium reserve for long-term fire insurance, the other reserves were not calculated by discounting.

(39) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable

future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.
- G. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(40) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(41) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(42) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Board of Directors. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(43) Revenue recognition

A. Sales of goods

- (a) The Group sells vehicles and related products. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- (b) Sales revenue was recognized based on the contract price net of sales discount. Accumulated experience and other known reason is used to estimate and provide for the sales discounts and allowances, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. A refund liability is recognized for expected sales discounts and allowances payable to customers in relation to sales made until the end of the reporting period.
- (c) The Group's obligation to provide a refund or maintenance for faulty products under the standard warranty terms is recognized as a provision.
- (d) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.
- (e) The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. The stand-alone selling price of the product sold is estimated on the basis of the retail price. A contract liability is recognized for the transaction price which is allocated to the points and revenue is recognized when the points are redeemed or expire.
- (f) Installment sales for vehicles - the subsidiary, Hotai Finance Co., Ltd. engages in installment sales which mainly aims to receive interest income rather than gross profit. There is no gross profit from such transactions. The accounting treatment is to recognize future proceeds from loans receivable and not to recognize sales revenue and cost of sales when the transaction occurs. When the amount of installment payment exceeds the price of cash sale, the difference is recognized as unrealized interest income and listed as a deduction to installment notes and accounts receivable, and interest is recognized using interest method annually over the installment period.

B. Service revenue

The Group provides services related to vehicles and air conditioners for vehicles. Revenue from delivering services is recognized under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service

contract is measured by the proportion of contract costs incurred for services performed as of the financial reporting date to the estimated total costs for the service contract. If the outcome of a service contract cannot be estimated reliably, contract revenue should be recognized only to the extent that contract costs incurred are likely to be recoverable.

C. Recognition of premium revenue and deferred acquisition cost of the insurance business of Hotai Insurance Co., Ltd. were as follows:

(a) For the revenue recognition policies on insurance and reinsurance contracts, please refer to Notes 4(34) and (35).

(b) Commission revenue is recognized on the accrual basis of the service period.

D. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year or one operating period. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(44) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Revenue recognition

The Group estimates sales discounts and returns refund liabilities for sales returns based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Group reassesses the reasonableness of estimates of discounts and returns periodically. Please refer to Note 6(29) for the information of sales of goods.

B. Provisions for warranty

In order to enhance customers' confidence on the quality of products, the Company provides additional warranty services apart from the warranty offered by the original manufacturer. Provisions for warranty is estimated based on historical information regarding the nature, frequency, and average cost of claims for each vehicle line by model year, and is revaluated on a regular basis. Please refer to Note 6(24) "Provisions" for more information.

C. Evaluation of allowance for uncollectible accounts

The subsidiary, Hotai Finance Co., Ltd., provides loss allowance for uncollectible accounts based on the forecast factors such as past due days and future economic conditions to assess the default possibility of accounts receivable. The subsidiary recognizes loss allowance individually after the management assesses the customers' financial condition or payment situation which indicate that the accounts receivable may not be recovered. Given the evaluation process involves estimates and predictions of the past events, current conditions and future overall economic situation, changes might arise due to the difference between the actual results and estimates. Please refer to Note 6(5) for the information of evaluation of allowance for uncollectible accounts.

D. Insurance liabilities

The estimates and significant assumptions of Hotai Insurance Co., Ltd.'s insurance contracts are used for claim reserve liabilities and claim reserve assets ceded.

The claim reserve liabilities are estimated through adoption of internationally accepted actuarial methods, nature or location of insurance risks, claim payment development module, experience data, and etc., which resulted in a reasonable ultimate claims paid amount and expected loss ratio. The calculation for reported but not paid claims are based on the experience of claim handling experts by each case and the remaining shall be incurred but not reported reserve.

For claim reserve assets ceded, the amounts recoverable from reinsurers for reported but not paid claims are estimated by each insurance case, and the amounts recoverable from reinsurers for incurred but not reported claims are estimated based on the difference between the reserve for incurred but not reported claims and the reserve for incurred but not reported claims for retention business.

Hotai Insurance Co., Ltd.'s significant assumptions for claims reserve include:

- (a) Loss development factors: properly chosen loss development factors based on experience over the past few years.
- (b) Expected loss ratio for each insurance line of business and accident year: the expected loss ratio is selected based on the historical loss trends of each insurance line of business and accident years.

The abovementioned assumptions exclude earthquake insurances, compulsory automobile insurances and nuclear insurances, while their reserves are provided in accordance with the regulatory requirements.

Analysis of insurance risk sensitivity is provided in Note 12(7) B.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash on hand and revolving funds	\$ 14,491	\$ 15,980	\$ 13,299
Checking accounts and demand deposits	11,390,404	12,272,486	9,025,661
Cash equivalents			
Time deposits	689,727	1,944,899	811,744
Short-term notes and bills	<u>6,778,937</u>	<u>11,580,215</u>	<u>5,212,351</u>
	<u>\$ 18,873,559</u>	<u>\$ 25,813,580</u>	<u>\$ 15,063,055</u>

- A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group presented its time deposits maturing in excess of three months of \$2,559,603, \$1,828,223 and \$1,839,336, respectively, under other financial assets-current and non-current.
- C. Of the short-term notes held by the Company's subsidiary, Hotai Insurance Co., Ltd., investments in notes issued under reverse repurchase agreements have obtained notes as collateral. The maximum exposure amount after receiving financial collateral is the net amount after offsetting. For related explanations, please refer to Note 6(6).

(2) Financial instruments at fair value through profit or loss

<u>Items</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Financial assets at fair value through profit or loss			
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Domestic and foreign beneficiary certificates	\$ 1,601,253	\$ 2,947,462	\$ 3,441,312
Derivative instruments	581,621	12,587	21,204
Financial instruments	648,942	683,213	1,410,304
Listed stocks	970,866	1,810,312	1,626,192
Listed preference share	59,980	59,980	59,980
Exchange Traded Funds	1,143,294	1,598,055	1,509,667
Valuation adjustment	(145,282)	647,593	384,580
	<u>\$ 4,860,674</u>	<u>\$ 7,759,202</u>	<u>\$ 8,453,239</u>
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Corporate bonds	<u>\$ 1,002,836</u>	<u>\$ 1,035,718</u>	<u>\$ 1,038,055</u>
Financial liabilities at fair value through profit or loss			
Current items:			
Financial liabilities held for trading			
Derivative instruments	<u>\$ 23,783</u>	<u>\$ 27,780</u>	<u>\$ 8,323</u>

A. Amounts recognized in profit or loss in relation to financial instruments at fair value through profit or loss are listed below:

<u>Items</u>	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Financial instruments mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ 412,735	(\$ 18,301)
Domestic and foreign beneficiary certificates	31,062	(59,053)
Listed stocks	(111,764)	(24,837)
Listed preference share	(2,596)	(1,319)
Exchange Traded Funds	(109,670)	(58,926)
Corporate bonds	8,707	4,348
	<u>\$ 228,474</u>	<u>(\$ 158,088)</u>

<u>Items</u>	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Financial instruments mandatorily measured at fair value through profit or loss		
Derivative instruments	\$ 502,229	\$ 73,393
Domestic and foreign beneficiary certificates	(132,867)	25,303
Listed stocks	(593,299)	405,983
Listed preference share	(3,562)	(936)
Exchange Traded Funds	(418,439)	146,747
Corporate bonds	(7,043)	21,129
	<u>(\$ 652,981)</u>	<u>\$ 671,619</u>

B. The Group entered into contracts relating to derivative instruments which were not accounted for under hedge accounting. The information is listed below:

<u>Derivative instruments</u>	<u>September 30, 2022</u>	
	<u>Contract amount (Notional principal) (in thousands)</u>	<u>Contract period</u>
Current items:		
Forward foreign exchange contracts	<u>USD 390,511</u>	2022.03.25~2023.03.13
Foreign exchange swap contracts	<u>USD 21,900</u>	2022.07.08~2022.12.28
<u>Derivative instruments</u>	<u>December 31, 2021</u>	
	<u>Contract amount (Notional principal) (in thousands)</u>	<u>Contract period</u>
Current items:		
Forward foreign exchange contracts	<u>USD 421,750</u>	2021.08.25~2022.04.14
Foreign exchange swap contracts	<u>USD 25,010</u>	2021.10.04~2022.03.31

<u>Derivative instruments</u>	<u>September 30, 2021</u>	
	Contract amount (Notional principal) (in thousands)	Contract period
Current items:		
Forward foreign exchange contracts	USD <u>205,605</u>	2021.06.18~2022.01.14
Foreign exchange swap contracts	USD <u>25,010</u>	2021.07.01~2021.12.28

The Group entered into forward foreign exchange contracts to buy USD to hedge exchange rate risk of import proceeds and foreign investments. In addition, Hotai Insurance Co., Ltd. entered into foreign exchange swap contracts to hedge exchange rate risk of foreign investments. However, these forward foreign exchange contracts and foreign exchange swap contracts are not accounted for under hedge accounting.

- C. The Group has no financial assets at fair value through profit or loss pledged to others.
- D. Information relating to credit risk of financial assets at fair value through profit or loss is provided in Note 12(2)C.
- E. On September 30, 2022, December 31, 2021 and September 30, 2021, such financial assets designated using overlay approach are as follows:

<u>Items</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Financial assets at fair value through profit or loss designated using overlay approach			
Listed stocks	\$ 510,129	\$ 1,445,876	\$ 1,349,649
Listed preference shares	59,980	59,980	59,980
Exchange Traded Funds	1,143,294	1,598,055	1,509,667
Beneficiary certificates	350,000	1,182,000	1,582,000
Domestic and foreign beneficiary certificates	436,252	404,245	393,852
Corporate bonds	500,000	500,000	500,000
Valuation adjustment	(<u>87,811</u>)	(<u>636,213</u>)	(<u>379,192</u>)
	<u>\$ 2,911,844</u>	<u>\$ 5,826,369</u>	<u>\$ 5,774,340</u>

For the three months and nine months ended September 30, 2022 and 2021, the reclassifications between profit or loss and other comprehensive income of such financial assets designated using overlay approach are as follows:

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Amounts recognized in profit or loss under IFRS 9	(\$ 103,393)	(\$ 112,330)
Less: Amounts recognized in profit or loss under IAS 39	(306,701)	110,371
Amounts reclassified under overlay approach	<u>\$ 203,308</u>	<u>(\$ 222,701)</u>
Effect from change in tax	<u>\$ 6,730</u>	<u>\$ 107</u>

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Amounts recognized in profit or loss under IFRS 9	(\$ 1,019,686)	\$ 605,557
Less: Amounts recognized in profit or loss under IAS 39	(295,662)	646,064
Amounts reclassified under overlay approach	<u>(\$ 724,024)</u>	<u>(\$ 40,507)</u>
Effect from change in tax	<u>\$ 14,701</u>	<u>\$ 2,262</u>

F. In accordance with IFRS 12 ‘Disclosure of interests in other entities’, information on equity of the structured entities which were not controlled by the Group is as follows:

(a)

<u>Type of structured entities</u>	<u>Book value at September 30, 2022</u>	<u>Book value at December 31, 2021</u>	<u>Book value at September 30, 2021</u>	<u>Description</u>
Infrastructure fund	<u>\$ 381,691</u>	<u>\$ 330,683</u>	<u>\$ 329,034</u>	Note
Real estate private placement fund	<u>\$ 161,318</u>	<u>\$ 106,812</u>	<u>\$ 98,403</u>	Note

Note: Investment fund is set for raising capital, and investors acquire long-term capital gains through investing in restricted fund.

(b) The intention of the Group for holding these structured entities is for earning investment income.

(c) The Group recognized equity of the structured entities which were not consolidated into the financial statements under financial assets at fair value through profit or loss. The maximum exposed risk of such entities is the carrying amount of held assets, and the related risk exposure of the investment position is restricted by contract terms and issuance terms. Please refer to Note 12 for more information.

(3) Financial assets at fair value through other comprehensive income

<u>Items</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current items:			
Debt instrument			
Government bonds	\$ 251,640	\$ -	\$ -
Financial bonds	-	200,418	-
Foreign financial bonds	<u>194,168</u>	<u>119,319</u>	<u>81,027</u>
	445,808	319,737	81,027
Valuation adjustment (including loss allowance)	(1,995)	2,387	1,167
Less: Operation bonds	(<u>202,100</u>)	-	-
	<u>\$ 241,713</u>	<u>\$ 322,124</u>	<u>\$ 82,194</u>
Non-current items:			
Debt instrument			
Government bonds	\$ 108,500	\$ 363,789	\$ 365,023
Corporate bonds	-	302,895	303,261
Financial bonds	-	304,846	505,689
Foreign corporate and financial bonds	<u>584,892</u>	<u>594,669</u>	<u>630,614</u>
	693,392	1,566,199	1,804,587
Valuation adjustment (including loss allowance)	(60,749)	27,466	41,787
Less: Operation bonds	(<u>98,200</u>)	(<u>300,300</u>)	(<u>300,300</u>)
	<u>534,443</u>	<u>1,293,365</u>	<u>1,546,074</u>
Equity instruments			
Listed stocks and unlisted stocks	6,511,935	6,440,249	6,440,379
Valuation adjustment	<u>1,306,818</u>	<u>2,859,262</u>	<u>2,654,916</u>
	<u>7,818,753</u>	<u>9,299,511</u>	<u>9,095,295</u>
	<u>\$ 8,353,196</u>	<u>\$ 10,592,876</u>	<u>\$ 10,641,369</u>

A. The Group has elected to classify equity instruments that are considered to be strategic investments and steady dividend income as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$7,818,753, \$9,299,511 and \$9,095,295, respectively, as at September 30, 2022, December 31, 2021 and September 30, 2021.

B. Amounts recognized in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

<u>Items</u>	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Debt instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	(\$ 37,850)	(\$ 4,525)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition	5	(9)
Reclassified due to derecognition	<u>18,019</u>	<u>12</u>
	<u>(\$ 19,826)</u>	<u>(\$ 4,522)</u>
Interest income recognized in profit or loss	<u>\$ 7,823</u>	<u>\$ 8,686</u>

<u>Items</u>	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Debt instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	(\$ 110,965)	(\$ 15,816)
Cumulative other comprehensive income reclassified to profit or loss		
Reclassified due to impairment recognition	(36)	17
Reclassified due to derecognition	<u>18,368</u>	<u>(2,508)</u>
	<u>(\$ 92,633)</u>	<u>(\$ 18,307)</u>
Interest income recognized in profit or loss	<u>\$ 26,337</u>	<u>\$ 26,549</u>

<u>Items</u>	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	<u>(\$ 824,728)</u>	<u>\$ 119,917</u>

<u>Items</u>	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Equity instruments at fair value through other comprehensive income		
Fair value change recognized in other comprehensive income	<u>(\$ 1,552,444)</u>	<u>\$ 1,005,113</u>

C. Under the Insurance Law of the Republic of China, Hotai Insurance Co., Ltd. is required to deposit 15% of its registered operating capital with the Central Bank of Republic of China. As of September 30, 2022, government bonds with par value of \$300,300 were deposited.

D. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2)C.

(4) Hedging financial assets and liabilities

	<u>September 30, 2022</u>		<u>December 31, 2021</u>		<u>September 30, 2021</u>	
	<u>Current assets</u>	<u>Current liabilities</u>	<u>Current assets</u>	<u>Current liabilities</u>	<u>Current assets</u>	<u>Current liabilities</u>
Cash flow hedges						
<u>Exchange rate risk and interest rate risk</u>						
Cross currency swaps	\$ 232,491	(\$ 1,028,549)	\$ -	(\$ 578,276)	\$ -	(\$ 282,066)

A. Hedge accounting is applied to remove the accounting inconsistency between the hedging instrument and the hedged item. As the Group's USD and JPY denominated borrowings are exposed to the impact of variable exchange rate and interest rates, the Group uses cross currency swap to control the exchange rate risk and interest rates under their acceptable range.

B. Transaction information associated with the Group adopting hedge accounting is as follows:

	<u>September 30, 2022</u>				Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest rate	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss
	Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount				
Hedging instruments								
Cash flow hedges :								
<u>Exchange rate risk and interest rate risk</u>								
Cross currency swaps transactions	USD 69,050	2022/1/12~2025/1/13	\$ 191,809	\$ -	\$ -	6.33~6.55	4.108~5.30	\$ -
	JPY 33,800,000	2020/8/5~2024/9/9	-	(1,028,549)	-	0.25~0.28	0.83~1.08	-
	EUR 75,000	2022/9/12~2024/9/12	40,682	-	-	30.60	2.04	-

	<u>September 30, 2022</u>	
	<u>Liabilities carrying amount</u>	<u>Valuation on liabilities' carrying amount due to fair value hedges</u>
Hedged items		
Cash flow hedges		
<u>Exchange rates risk and interest rate risk</u>		
Short-term borrowings	\$ 12,891,576	(\$ 957,115)

	December 31, 2021				Year ended December 31, 2021			
	Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest rate	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss
Hedging instruments								
Cash flow hedges :								
<u>Exchange rate risk and interest rate risk</u>								
Cross currency swaps transactions	JPY33,800,000	2020/8/5~2024/9/9	\$	-\$ 578,276	-	0.25~0.28	0.83~1.08	\$ -

		December 31, 2021	
		Liabilities carrying amount	Valuation on liabilities' carrying amount due to fair value hedges
Hedged items			
Cash flow hedges			
<u>Exchange rates risk and interest rate risk</u>			
Short-term borrowings		\$ 8,635,200	(\$ 512,680)

	September 30, 2021				Nine months ended September 30, 2021			
	Notional amount (in thousand dollars)	Contract period	Assets carrying amount	Liabilities carrying amount	Changes in fair value in relation to recognizing hedge ineffectiveness basis	Average exchange rates	Average interest rate	Gains (losses) on valuation of ineffective hedge that will be recognized in financial assets/liabilities at fair value through profit or loss
Hedging instruments								
Cash flow hedges :								
<u>Exchange rate risk and interest rate risk</u>								
Cross currency swaps transactions	JPY 3,800,000	2020/8/5~2023/8/7	\$	-\$ 126,009	\$ -	0.28	1.08	\$ -
	JPY 30,000,000	2021/9/30~2024/9/9		-(156,057)	-	0.25	0.83	-

		September 30, 2021	
		Liabilities carrying amount	Valuation on liabilities' carrying amount due to fair value hedges
Hedged items			
Cash flow hedges			
<u>Exchange rates risk and interest rate risk</u>			
Short-term borrowings		\$ 8,635,200	\$ 221,240

C. Cash flow hedges

	<u>2022</u>	<u>2021</u>
<u>Cash flow hedge reserve</u>		
At January 1	(\$ 52,476)	\$ 16,894
Less: Gains (losses) on hedge effectiveness-amount recognized in other comprehensive income	272,428	(82,632)
Less: Reclassified to profit or loss as the hedged item has affected profit or loss	(45,559)	(207)
Add: Income tax relating to the hedge effectiveness-amount recognized in other comprehensive income	(52,237)	17,284
At September 30	<u>\$ 122,156</u>	<u>(\$ 48,661)</u>

To hedge exposed exchange rate risk and interest rate risk arising from short-term borrowings, the Group entered into a cross currency swap agreement. The effective portion with respect to the changes in the fair value of the hedging instruments is deferred to recognize in the cash flow hedge reserve, which is under other comprehensive income, and will be directly included in gain or loss on foreign exchange and finance costs when the hedged items, principal and interest are subsequently paid.

(5) Notes and accounts receivable, net (including related parties)

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Notes receivable	\$ 3,291,010	\$ 2,063,891	\$ 3,000,032
Installment notes receivable	9,048,717	8,333,934	8,297,975
Accounts receivable	6,719,356	5,266,711	5,766,428
Installment accounts receivable	217,156,023	178,995,777	166,564,650
Lease payments and notes receivable	28,023,115	24,394,947	22,069,480
Premiums receivable	669,624	751,027	675,297
Overdue receivable	<u>39,013</u>	<u>37,523</u>	<u>66,981</u>
	264,946,858	219,843,810	206,440,843
Less: Unrealized interest income	(25,822,297)	(19,093,881)	(17,471,775)
Unearned finance income	(2,686,969)	(2,349,549)	(2,198,886)
Allowance for doubtful accounts	<u>(4,480,352)</u>	<u>(3,782,588)</u>	<u>(3,626,253)</u>
Notes and accounts receivable, net	<u>\$ 231,957,240</u>	<u>\$ 194,617,792</u>	<u>\$ 183,143,929</u>
	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current	<u>\$ 225,235,190</u>	<u>\$ 190,535,009</u>	<u>\$ 179,562,347</u>
Non-current (shown as other assets)	<u>\$ 6,722,050</u>	<u>\$ 4,082,783</u>	<u>\$ 3,581,582</u>

As of September 30, 2022, December 31, 2021 and September 30, 2021, the subsidiary - Hotai Finance Co., Ltd.'s notes receivable were pledged as collateral for loans and issuance of commercial papers to banks amounted to \$6,054,587, \$5,349,850 and \$5,181,384, respectively. Information on the Group's notes and accounts receivable pledged as collateral is provided in Note 8.

A. The aging analysis of receivables that were past due but not impaired is as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
	<u>Receivables</u>	<u>Receivables</u>	<u>Receivables</u>
Not past due	\$ 261,832,995	\$ 218,003,316	\$ 202,678,092
Up to 30 days	384,649	221,315	1,930,349
31 to ~ 90 days	1,453,428	813,949	1,011,860
91 to ~ 180 days	864,114	444,285	430,794
Over 180 days	<u>411,672</u>	<u>360,945</u>	<u>389,748</u>
	<u>\$ 264,946,858</u>	<u>\$ 219,843,810</u>	<u>\$ 206,440,843</u>

The above aging analysis was based on past due date.

B. As of September 30, 2022, December 31, 2021 and September 30, 2021, the balances of receivables (including notes receivable) from contracts with customers amounted to \$10,031,570, \$7,394,968 and \$8,830,731, respectively.

C. The expected recovery of the Group's installment notes and accounts receivable is as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Up to 12 months	\$ 75,884,732	\$ 63,970,842	\$ 60,495,020
Over 12 months	<u>150,320,008</u>	<u>123,358,869</u>	<u>114,367,605</u>
	<u>\$ 226,204,740</u>	<u>\$ 187,329,711</u>	<u>\$ 174,862,625</u>

D. Lease payments receivable

Refer to Note 6(13) for more details.

E. Information relating to credit risk of accounts receivable and notes receivable is provided in Note 12(2)C.

(6) Offsetting financial assets and financial liabilities

A. The derivatives and reverse repurchase agreement held by the Group do not conform to the offsetting requirements under paragraph 42 of IAS 32. However, the subsidiary has entered into enforceable master netting arrangements or similar agreements with counterparties. Upon the event of a delinquency (default, insolvency or bankruptcy) of a party, the counterparties may set-off the netting arrangement or pursue legal action against the collateral. The related amount of the collateral received (paid) is its fair value. However, the offsetting amount is limited to recognized financial assets (liabilities).

B. Financial assets and financial liabilities subject to master netting arrangements are as follows:

September 30, 2022						
Financial assets						
Description	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off	Net amounts of financial assets presented in the balance sheet	Not set off in the balance sheets		Net amount (f)=(c)-(d)-(e)
	(a)	(b)	(c)=(a)-(b)	Financial instruments (d)	Collateral received (e)	
Derivative instruments	\$ 308	\$ -	\$ 308	\$ 308	\$ -	\$ -
Reverse repurchase agreement	420,202	-	420,202	-	373,428	46,774
	<u>\$ 420,510</u>	<u>\$ -</u>	<u>\$ 420,510</u>	<u>\$ 308</u>	<u>\$ 373,428</u>	<u>\$ 46,774</u>
Financial liabilities						
Description	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off	Net amounts of financial liabilities presented in the balance sheet	Not set off in the balance sheets		Net amount (f)=(c)-(d)-(e)
	(a)	(b)	(c)=(a)-(b)	Financial Instruments (d)	Collateral received (e)	
Derivative instruments	\$ 23,784	\$ -	\$ 23,784	\$ 308	\$ -	\$ 23,476

December 31, 2021						
Financial assets						
Description	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off	Net amounts of financial assets presented in the balance sheet	Not set off in the balance sheets		Net amount (f)=(c)-(d)-(e)
	(a)	(b)	(c)=(a)-(b)	Financial instruments (d)	Collateral received (e)	
Derivative instruments	\$ 1,599	\$ -	\$ 1,599	\$ 58	\$ -	\$ 1,541
Reverse repurchase agreement	3,170,484	-	3,170,484	-	3,156,708	13,776
	<u>\$3,172,083</u>	<u>\$ -</u>	<u>\$ 3,172,083</u>	<u>\$ 58</u>	<u>\$3,156,708</u>	<u>\$ 15,317</u>
Financial liabilities						
Description	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off	Net amounts of financial liabilities presented in the balance sheet	Not set off in the balance sheets		Net amount (f)=(c)-(d)-(e)
	(a)	(b)	(c)=(a)-(b)	Financial Instruments (d)	Collateral received (e)	
Derivative instruments	\$ 58	\$ -	\$ 58	\$ 58	\$ -	\$ -

September 30, 2021						
Financial assets						
Description	Gross amounts of recognized financial assets (a)	Gross amounts of recognized financial liabilities set off (b)	Net amounts of financial assets presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheets		Net amount (f)=(c)-(d)-(e)
				Financial instruments (d)	Collateral received (e)	
Derivative instruments	\$ 991	\$ -	\$ 991	\$ 991	\$ -	\$ -
Reverse repurchase agreement	<u>2,362,515</u>	<u>-</u>	<u>2,362,525</u>	<u>-</u>	<u>2,362,515</u>	<u>-</u>
	<u>\$2,363,506</u>	<u>\$ -</u>	<u>\$ 2,363,506</u>	<u>\$ 991</u>	<u>\$2,362,515</u>	<u>\$ -</u>

Financial liabilities						
Description	Gross amounts of recognized financial liabilities (a)	Gross amounts of recognized financial assets set off (b)	Net amounts of financial liabilities presented in the balance sheet (c)=(a)-(b)	Not set off in the balance sheets		Net amount (f)=(c)-(d)-(e)
				Financial Instruments (d)	Collateral received (e)	
Derivative instruments	\$ 1,135	\$ -	\$ 1,135	\$ 991	\$ -	\$ 144

(7) Inventories

September 30, 2022			
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	\$ 7,002,868	(\$ 121,890)	\$ 6,880,978
Air conditioners and parts	3,266,289	(316,742)	2,949,547
Other goods	387,961	(6,091)	381,870
Inventory in transit	<u>1,828,000</u>	<u>-</u>	<u>1,828,000</u>
	<u>\$ 12,485,118</u>	<u>(\$ 444,723)</u>	<u>\$ 12,040,395</u>

December 31, 2021			
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	\$ 6,221,969	(\$ 110,743)	\$ 6,111,226
Air conditioners and parts	2,423,046	(316,741)	2,106,305
Other goods	268,512	(7,455)	261,057
Inventory in transit	<u>1,536,297</u>	<u>-</u>	<u>1,536,297</u>
	<u>\$ 10,449,824</u>	<u>(\$ 434,939)</u>	<u>\$ 10,014,885</u>

	September 30, 2021		
	Cost	Allowance for valuation loss	Book value
Vehicles and parts	\$ 4,920,585	(\$ 122,213)	\$ 4,798,372
Air conditioners and parts	2,732,388	(338,795)	2,393,593
Other goods	361,099	(5,116)	355,983
Inventory in transit	<u>761,732</u>	<u>-</u>	<u>761,732</u>
	<u>\$ 8,775,804</u>	<u>(\$ 466,124)</u>	<u>\$ 8,309,680</u>

A. Above listed inventories were not pledged to others as collateral.

B. The cost of inventories recognized as expense for the period:

	Three months ended September 30,	
	2022	2021
Cost of goods sold	\$ 43,309,846	\$ 40,291,780
Loss on market value decline of inventories	<u>3,709</u>	<u>10,545</u>
	<u>\$ 43,313,555</u>	<u>\$ 40,302,325</u>

	Nine months ended September 30,	
	2022	2021
Cost of goods sold	\$ 124,350,398	\$ 138,817,513
Loss on market value decline of inventories	<u>9,784</u>	<u>16,222</u>
	<u>\$ 124,360,182</u>	<u>\$ 138,833,735</u>

(8) Prepayments

	September 30, 2022	December 31, 2021	September 30, 2021
Prepayments to commissions	\$ 2,847,968	\$ 3,219,604	\$ 3,201,691
Prepayments to suppliers	3,875,100	3,289,417	3,066,014
Offset against business tax payable	306,351	532,498	713,746
Prepaid insurance premiums	627,773	565,330	543,352
Other prepayments	<u>1,720,598</u>	<u>824,745</u>	<u>1,211,601</u>
	<u>\$ 9,377,790</u>	<u>\$ 8,431,594</u>	<u>\$ 8,736,404</u>

(9) Reinsurance contract assets and insurance liabilities

A. Details of reinsurance contract assets are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Claims recoverable from reinsurers	\$ 217,020	\$ 153,876	\$ 142,761
Due from reinsurance and ceding companies	195,833	127,160	96,746
Reinsurance reserve assets			
-Ceded unearned premium reserve	1,294,807	1,183,255	1,163,152
-Ceded claims reserve	2,245,332	1,661,846	1,618,161
Due from reinsurance and ceding companies-overdue	<u>13,578</u>	<u>12,532</u>	<u>10,627</u>
	3,966,570	3,138,669	3,031,447
Less: Loss allowance	(<u>14,994</u>)	(<u>12,767</u>)	(<u>11,179</u>)
	<u>\$ 3,951,576</u>	<u>\$ 3,125,902</u>	<u>\$ 3,020,268</u>

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current	<u>\$ 3,005,269</u>	<u>\$ 2,396,571</u>	<u>\$ 2,146,075</u>
Non-current (shown as other assets)	<u>\$ 946,307</u>	<u>\$ 729,331</u>	<u>\$ 874,193</u>

For the credit risk of reinsurance contract assets, please refer to Note 12(5).

B. Movements of loss allowance/allowance for bad debts of reinsurance contract assets are as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 12,767	\$ 16,792
Provision (amounts reversed) during the period	<u>2,227</u>	(<u>5,613</u>)
At September 30	<u>\$ 14,994</u>	<u>\$ 11,179</u>

C. Details of insurance liabilities are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Unearned premium reserve	\$ 6,491,107	\$ 6,127,570	\$ 5,897,129
Claims reserve	18,808,902	5,309,570	5,105,814
Special reserve	1,615,899	1,921,235	1,907,982
Premium deficiency reserve	<u>2,350,318</u>	<u>-</u>	<u>-</u>
	<u>\$ 29,266,226</u>	<u>\$ 13,358,375</u>	<u>\$ 12,910,925</u>
	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current (shown as other current liabilities)	<u>\$ 24,797,216</u>	<u>\$ 8,902,416</u>	<u>\$ 8,438,174</u>
Non-current (shown as provisions)	<u>\$ 4,469,010</u>	<u>\$ 4,455,959</u>	<u>\$ 4,472,751</u>

D. Movements of ceded unearned premium reserve and unearned premium reserve are as follows:

	2022		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 6,127,570	\$ 1,183,255	\$ 4,944,315
Provision during the period	6,491,108	1,294,807	5,196,301
Recovery during the period	(6,127,570)	(1,183,255)	(4,944,315)
At September 30	<u>\$ 6,491,108</u>	<u>\$ 1,294,807</u>	<u>\$ 5,196,301</u>

	2021		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 5,483,854	\$ 1,070,363	\$ 4,413,491
Provision during the period	5,897,129	1,163,152	4,733,977
Recovery during the period	(5,483,854)	(1,070,363)	(4,413,491)
At September 30	<u>\$ 5,897,129</u>	<u>\$ 1,163,152</u>	<u>\$ 4,733,977</u>

E. Details of claims reserve and movements of ceded claims reserve and claims reserve are as follows:

(a) As of September 30, 2022, December 31, 2021 and September 30, 2021, details of claims reserve and ceded claims reserve are as follows:

	September 30, 2022		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
Reported but not paid	\$ 14,853,228	\$ 1,236,414	\$ 13,616,814
Incurred but not reported	<u>3,955,674</u>	<u>1,008,918</u>	<u>2,946,756</u>
	<u>\$ 18,808,902</u>	<u>\$ 2,245,332</u>	<u>\$ 16,563,570</u>

	December 31, 2021		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
Reported but not paid	\$ 2,620,679	\$ 849,535	\$ 1,771,144
Incurred but not reported	<u>2,688,891</u>	<u>812,311</u>	<u>1,876,580</u>
	<u>\$ 5,309,570</u>	<u>\$ 1,661,846</u>	<u>\$ 3,647,724</u>

	September 30, 2021		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
Reported but not paid	\$ 2,377,829	\$ 786,332	\$ 1,591,497
Incurred but not reported	<u>2,727,985</u>	<u>831,829</u>	<u>1,896,156</u>
	<u>\$ 5,105,814</u>	<u>\$ 1,618,161</u>	<u>\$ 3,487,653</u>

(b) Movements of claims reserve and ceded claims reserve are as follows:

	2022		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 5,309,570	\$ 1,661,846	\$ 3,647,724
Provision during the period	18,808,902	2,245,332	16,563,570
Recovery during the period	(5,309,570)	(1,661,846)	(3,647,724)
At September 30	<u>\$ 18,808,902</u>	<u>\$ 2,245,332</u>	<u>\$ 16,563,570</u>

	<u>2021</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ 3,655,621	\$ 900,591	\$ 2,755,030
Provision during the period	5,105,814	1,618,161	3,487,653
Recovery during the period	(3,655,621)	(900,591)	(2,755,030)
At September 30	<u>\$ 5,105,814</u>	<u>\$ 1,618,161</u>	<u>\$ 3,487,653</u>

F. Movement of ceded unearned premium reserve and unearned premium reserve are as follows:

	<u>2022</u>		
	<u>Gross amount</u>	<u>Ceded amount</u>	<u>Net amount</u>
At January 1	\$ -	\$ -	\$ -
Provision during the period	2,350,318	-	2,350,318
Recovery during the period	-	-	-
At September 30	<u>\$ 2,350,318</u>	<u>\$ -</u>	<u>\$ 2,350,318</u>

G. Movement of special reserve is as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 1,921,235	\$ 1,913,531
Provision during the period	40,604	-
Recovery during the period	(345,940)	(5,549)
At September 30	<u>\$ 1,615,899</u>	<u>\$ 1,907,982</u>

For Hotai Insurance Co., Ltd., the insurance types of the special reserve include compulsory automobile liability insurance, nuclear insurance, policy earthquake insurance and typhoon and flood insurance.

H. Pursuant to Jin-Guan-Pao-Tsai Letter No. 11101405951, "Guidelines for Strengthening Catastrophe Reserve of Property Insurance Enterprises", special reserve recognized under liabilities shall first be used to make up required catastrophe reserve and risk claim reserve for commercial earthquake insurance and typhoon flood insurance. The remaining, net of income tax, shall be recognized as special reserve under stockholders' equity in accordance with IAS 12.

If the above is not taken into consideration, the effects on liabilities, equity, profit and earnings per share to Hotai Insurance Co., Ltd. are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Decrease in special reserve under liability	\$ 33,450	\$ 379,390	\$ 379,789
Increase in special reserve under retained earnings	38,335	315,087	315,405

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Increase in net income before tax	\$ -	\$ 398
Increase in earnings per share before tax	-	0.002
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Increase in net income before tax	\$ 345,940	\$ 1,194
Increase in earnings per share before tax	1.730	0.006

I. Pursuant to Jin-Guan-Pao-Chan Letter No. 10102531541, “Guidelines for Strengthening Reserve of Pool Members Residential Earthquake” and Jin-Guan-Pao-Tsai Letter No. 10102517091, “Regulations Governing the Setting Aside of Nuclear Reserve by Property Insurance Enterprises”, Hotai Insurance Co., Ltd. maintains a special reserve for the residential earthquake insurance and nuclear insurance provisioned under insurance liabilities as of September 30, 2022, December 31, 2021 and September 30, 2021.

If the above is not taken into consideration, the effects on liabilities, equity and profit to Hotai Insurance Co., Ltd. are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Decrease in special reserve under liability	\$ 223,894	\$ 223,894	\$ 223,894
Increase in special reserve under retained earnings	185,832	185,832	185,832

Both special reserve of the residential earthquake insurance and nuclear insurance have no provision or recovery and have no effect on net income before tax and earnings per share before tax for the nine months ended September 30, 2022 and 2021.

(10) Investments accounted for using the equity method

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Kuozui Motors, Ltd.	\$ 5,874,223	\$ 5,242,021	\$ 5,321,077
Central Motor Co., Ltd.	2,736,634	2,649,211	2,614,642
Tau Miau Motor Co., Ltd.	1,755,280	1,673,305	1,626,401
Kau Du Automobile Co., Ltd.	1,437,687	1,408,476	1,388,934
Kuotu Motor Co., Ltd.	1,407,914	1,315,675	1,272,641
Taipei Toyota Motor Co., Ltd.	1,246,025	1,197,429	1,148,444
Nan Du Motor Co., Ltd.	1,167,997	1,130,250	1,092,041
Lang Yang Toyota Motor Co., Ltd.	303,513	301,184	297,254
Formosa Flexible Packaging Corp.	397,457	394,678	384,760
Shi-Ho Screw Industrial Co., Ltd.	124,975	126,413	126,426
Yokohama Tire Taiwan Co., Ltd., etc.	1,933,504	1,897,429	1,838,584
	<u>\$ 18,385,209</u>	<u>\$ 17,336,071</u>	<u>\$ 17,111,204</u>

A. The carrying amount of the Group’s interests in all individually immaterial associates and the Group’s share of the financial performance are summarized as follows:

As of September 30, 2022, December 31, 2021 and September 30, 2021, the carrying amount of the Group's individually immaterial associates amounted to \$18,385,209 \$17,336,071 and \$17,111,204, respectively.

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Comprehensive income for the period	<u>\$ 652,848</u>	<u>\$ 287,394</u>

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Comprehensive income for the period	<u>\$ 1,596,013</u>	<u>\$ 1,510,130</u>

B. The Group's investments have no quoted market price. The share of profit of investments accounted for using the equity method amounted to \$603,464, \$285,107, \$1,567,716 and \$1,497,350 respectively, and were valued based on the investees' financial statements that were not audited by independent auditors.

(11) Property, plant and equipment

	2022										
	Utility equipment			Office equipment			Machinery and equipment			Construction in progress and prepayment for real estate	Total
	Land	Buildings and structures	Owner-occupied	Lease	Owner-occupied	Lease (Note)	Owner-occupied	Lease (Note)	Leasehold improvements		
<u>At January 1, 2022</u>											
Cost	\$ 9,925,666	\$ 5,941,748	\$ 145,534	\$ 59,990	\$ 2,139,272	\$ 903,840	\$ 629,226	\$ 52,094,036	\$ 777,137	\$ 1,197,249	\$ 73,813,694
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	(2,398,014)	(137,803)	(59,806)	(1,316,912)	(466,636)	(373,677)	(16,182,619)	(590,192)	-	(21,552,509)
	<u>\$ 11,244,783</u>	<u>\$ 3,555,813</u>	<u>\$ 7,731</u>	<u>\$ 184</u>	<u>\$ 822,360</u>	<u>\$ 437,204</u>	<u>\$ 255,549</u>	<u>\$ 35,911,417</u>	<u>\$ 186,945</u>	<u>\$ 1,197,249</u>	<u>\$ 53,619,231</u>
<u>2022</u>											
Opening net book amount as of January 1	\$ 11,244,783	\$ 3,555,813	\$ 7,731	\$ 184	\$ 822,360	\$ 437,204	\$ 255,549	\$ 35,911,417	\$ 186,945	\$ 1,197,249	\$ 53,619,231
Additions	1,044,306	234,650	473	-	455,752	96,857	137,982	14,534,543	44,746	1,161,237	17,710,543
Disposals	- (2,932)	-	-	- (132,342)	(1,596)	(5,170)	(278,747)	-	-	-	(420,787)
Reclassifications	(231,622)	(7,889)	-	-	1,520	(47,913)	(149,587)	(3,967,926)	-	(188,893)	(4,592,310)
Reclassified as assets held for sale	(11,404)	(4,039)	-	-	-	-	-	-	-	-	(15,443)
Depreciation	- (215,143)	(1,150)	(33)	(209,127)	(155,761)	(40,120)	(7,673,806)	(35,894)	-	-	(8,331,034)
Impairment loss	-	-	-	-	-	3,035	- (5,376)	-	-	-	(2,341)
Net exchange differences	-	42,765	85	-	9,983	1,601	3,889	67,637	196	1,036	127,192
Closing net book amount as of September 30	<u>\$ 12,046,063</u>	<u>\$ 3,603,225</u>	<u>\$ 7,139</u>	<u>\$ 151</u>	<u>\$ 948,146</u>	<u>\$ 333,427</u>	<u>\$ 202,543</u>	<u>\$ 38,587,742</u>	<u>\$ 195,993</u>	<u>\$ 2,170,629</u>	<u>\$ 58,095,051</u>
<u>At September 30, 2022</u>											
Cost	\$ 10,726,946	\$ 6,173,637	\$ 142,402	\$ 59,790	\$ 2,447,023	\$ 792,019	\$ 571,826	\$ 56,641,478	\$ 759,283	\$ 2,170,629	\$ 80,485,033
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	(2,582,491)	(135,263)	(59,639)	(1,498,877)	(458,592)	(369,283)	(18,053,736)	(563,290)	-	(23,748,021)
	<u>\$ 12,046,063</u>	<u>\$ 3,603,225</u>	<u>\$ 7,139</u>	<u>\$ 151</u>	<u>\$ 948,146</u>	<u>\$ 333,427</u>	<u>\$ 202,543</u>	<u>\$ 38,587,742</u>	<u>\$ 195,993</u>	<u>\$ 2,170,629</u>	<u>\$ 58,095,051</u>

Note: Rental assets are exclusively for leasing business by Hotai Leasing Co., Ltd., Hotai Finance Co., Ltd. and other subsidiaries. The rental assets for disposal should be reclassified to inventories at their carrying value when the assets are no longer leased and are ready to be sold. Proceeds from disposal are reclassified as sales revenue and the related cost of sales should be recognized.

	2021										
	Utility equipment				Office equipment		Machinery and equipment			Construction in progress and prepayment for real estate	Total
	Land	Buildings and structures	Owner-occupied	Lease	Owner-occupied	Lease (Note)	Owner-occupied	Lease (Note)	Leasehold improvements		
<u>At January 1, 2021</u>											
Cost	\$ 9,356,989	\$ 5,431,459	\$ 143,189	\$ 59,990	\$ 1,981,655	\$ 936,359	\$ 603,464	\$ 46,444,953	\$ 740,015	\$ 707,569	\$ 66,405,642
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	(2,230,846)	(136,240)	(59,761)	(1,204,802)	(435,509)	(348,504)	(14,050,466)	(544,680)	-	(19,037,658)
	<u>\$ 10,676,106</u>	<u>\$ 3,212,692</u>	<u>\$ 6,949</u>	<u>\$ 229</u>	<u>\$ 776,853</u>	<u>\$ 500,850</u>	<u>\$ 254,960</u>	<u>\$ 32,394,487</u>	<u>\$ 195,335</u>	<u>\$ 707,569</u>	<u>\$ 48,726,030</u>
<u>2021</u>											
Opening net book amount as of January 1	\$ 10,676,106	\$ 3,212,692	\$ 6,949	\$ 229	\$ 776,853	\$ 500,850	\$ 254,960	\$ 32,394,487	\$ 195,335	\$ 707,569	\$ 48,726,030
Additions	568,677	506,261	701	-	264,757	149,666	36,585	13,535,970	37,275	534,017	15,633,909
Disposals	- (154)	-	-	- (79,160)	(1,755)	(1,565)	(479,999)	(689)	-	(563,322)	
Reclassifications	-	67,760	1,284	-	6,745	(90,106)	3,157	(3,565,295)	-	(262,898)	(3,839,353)
Depreciation	- (135,815)	(1,197)	(33)	(182,051)	(162,039)	(34,037)	(6,895,490)	(50,790)	-	(7,461,452)	
Impairment loss	-	-	-	-	-	6,654	-	(23,128)	-	(16,474)	
Net exchange differences	- (21,172)	(49)	-	(4,672)	(645)	(2,113)	(12,959)	(101)	(1,511)	(43,222)	
Closing net book amount as of September 30	<u>\$ 11,244,783</u>	<u>\$ 3,629,572</u>	<u>\$ 7,688</u>	<u>\$ 196</u>	<u>\$ 782,472</u>	<u>\$ 402,625</u>	<u>\$ 256,987</u>	<u>\$ 34,953,586</u>	<u>\$ 181,030</u>	<u>\$ 977,177</u>	<u>\$ 52,436,116</u>
<u>At September 30, 2021</u>											
Cost	\$ 9,925,666	\$ 5,986,795	\$ 145,093	\$ 59,990	\$ 2,112,004	\$ 841,325	\$ 622,524	\$ 50,537,703	\$ 763,485	\$ 977,177	\$ 71,971,762
Revaluation gain	1,345,967	12,079	-	-	-	-	-	-	-	-	1,358,046
Accumulated depreciation and impairment	(26,850)	(2,369,302)	(137,405)	(59,794)	(1,329,532)	(438,700)	(365,537)	(15,584,117)	(582,455)	-	(20,893,692)
	<u>\$ 11,244,783</u>	<u>\$ 3,629,572</u>	<u>\$ 7,688</u>	<u>\$ 196</u>	<u>\$ 782,472</u>	<u>\$ 402,625</u>	<u>\$ 256,987</u>	<u>\$ 34,953,586</u>	<u>\$ 181,030</u>	<u>\$ 977,177</u>	<u>\$ 52,436,116</u>

Note : Rental assets are exclusively for leasing business by Hotai Leasing Co., Ltd., Hotai Finance Co., Ltd. and other subsidiaries. The rental assets for disposal should be reclassified to inventories at carrying value when the assets are no longer leased and are ready to be sold. Proceeds from disposal are reclassified as sales revenue and the related cost of sales should be recognized.

(12) Leasing arrangements – lessee

- A. The Group leases various assets including land, buildings and structures and office equipment. Rental contracts are typically made for periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.
- B. Lease agreements for superficies are individually negotiated and contain a variety of terms and conditions. The Group entered into agreements for land setting superficies with Taiwan Sugar Corporation on November 16, 2020 and May 28, 2021, respectively. Taiwan Sugar Corporation shall provide land for the Group's usage by the way of setting superficies. If the Group does not breach the agreement, the agreement may be renewed by mutual agreement and with the written consent of Taiwan Sugar Corporation, upon the payment of royalties by the Company. However, the cumulative period of setting superficies shall not exceed 70 years and shall not be extended at the end of the 70-year period.

- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

<u>Carrying Amount</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Land (including superficies)	\$ 1,786,902	\$ 1,799,940	\$ 1,808,576
Buildings and structures	1,578,689	1,633,380	1,562,892
Machinery and equipment	2,466	3,288	3,562
Office equipment	<u>9,248</u>	<u>352</u>	<u>352</u>
	<u>\$ 3,377,305</u>	<u>\$ 3,436,960</u>	<u>\$ 3,375,382</u>

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Depreciation charge</u>		
Land	\$ 35,825	\$ 36,036
Buildings and structures	101,126	105,656
Machinery and equipment	274	274
Office equipment	<u>897</u>	<u>296</u>
	<u>\$ 138,122</u>	<u>\$ 142,262</u>

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Depreciation charge</u>		
Land	\$ 100,151	\$ 111,923
Buildings and structures	299,389	298,057
Machinery and equipment	822	822
Office equipment	<u>1,611</u>	<u>1,565</u>
	<u>\$ 401,973</u>	<u>\$ 412,367</u>

- D. For the three months and nine months ended September 30, 2022 and 2021, the additions to right-of-use assets amounted to \$99,795, \$311,780, \$282,927 and \$733,962, respectively.

E. The information on profit and loss accounts relating to lease contracts is as follows:

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 11,214	\$ 11,901
Expense on short-term lease contracts and leases of low-value assets	13,890	22,345
Gain on lease modification	127	2,679
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 34,393	\$ 33,722
Expense on short-term lease contracts and leases of low-value assets	35,978	45,021
Gain on lease modification	881	2,945

F. For the three months and nine months ended September 30, 2022 and 2021, the Group's total cash outflow for lease (including short-term lease contracts and leases of low-value assets) amounted to \$136,601, \$152,919, \$428,438 and \$512,456, respectively.

(13) Leasing arrangements – lessor

- A. The Group leases various assets including land, buildings, machinery and equipment, business vehicles and multifunction printers. Rental contracts are typically made for periods of 1 and 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- B. The Group leases machinery and equipment, business vehicles and so on under a finance lease. Based on the terms of the lease contract, the ownership of assets will be transferred to lessees when the leases expire. Information on profit or loss in relation to lease contracts is as follows:

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Finance income from the net investment in the finance lease	<u>\$ 720,322</u>	<u>\$ 635,028</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Finance income from the net investment in the finance lease	<u>\$ 2,055,741</u>	<u>\$ 1,778,998</u>

C. The maturity analysis of the undiscounted lease payment receivable in the finance lease is as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Less than 1 year	\$ 18,347,507	\$ 15,925,217	\$ 14,962,805
Between 1 and 2 years	7,452,175	5,993,010	5,678,271
Between 2 and 3 years	1,730,205	1,346,121	1,239,020
Between 3 to 4 years	280,885	127,207	116,389
Between 4 to 5 years	181,459	36,844	38,562
More than 6 years	<u>1,311</u>	<u>790</u>	<u>16</u>
	<u>\$ 27,993,542</u>	<u>\$ 23,429,189</u>	<u>\$ 22,035,063</u>

D. Reconciliation of the undiscounted lease payments receivable and the net investment in the finance lease is provided as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
	<u>Non-current</u>	<u>Non-current</u>	<u>Non-current</u>
Undiscounted lease payments	\$ 27,993,542	\$ 23,429,189	\$ 22,035,063
Unearned finance income	(2,686,969)	(2,349,549)	(2,198,886)
Net investment in the lease	<u>\$ 25,306,573</u>	<u>\$ 21,079,640</u>	<u>\$ 19,836,177</u>

E. For the three months and nine months ended September 30, 2022 and 2021, the Group recognized rent income in the amount of \$4,455,047, \$3,774,514, \$12,836,220 and \$11,066,156, respectively, based on the operating lease agreement, which does not include variable lease payments.

F. The maturity analysis of the undiscounted lease payments receivable under the operating leases is as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Less than 1 year	\$ 11,894,646	\$ 11,207,708	\$ 10,955,863
Between 1 and 2 years	7,571,565	6,915,809	6,935,382
Between 2 and 3 years	3,585,786	3,172,160	3,222,632
Between 3 to 4 years	1,194,178	998,909	1,081,477
Between 4 to years	450,951	336,628	329,879
More than 6 years	<u>15,980</u>	<u>16,030</u>	<u>15,791</u>
	<u>\$ 24,713,105</u>	<u>\$ 22,647,244</u>	<u>\$ 22,541,024</u>

(14) Investment property

	2022		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1, 2022</u>			
Cost	\$ 1,412,393	\$ 1,115,203	\$ 2,527,596
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(323,707)	(323,707)
	<u>\$ 1,740,187</u>	<u>\$ 791,496</u>	<u>\$ 2,531,683</u>
<u>2022</u>			
Opening net book amount as of January 1	\$ 1,740,187	\$ 791,496	\$ 2,531,683
Additions	-	290	290
Reclassifications	231,623	336,558	568,181
Depreciation	-	(18,280)	(18,280)
Net exchange differences	-	1,952	1,952
Closing net book amount as of September 30	<u>\$ 1,971,810</u>	<u>\$ 1,112,016</u>	<u>\$ 3,083,826</u>
<u>At September 30, 2022</u>			
Cost	\$ 1,644,016	\$ 1,465,002	\$ 3,109,018
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(352,986)	(352,986)
	<u>\$ 1,971,810</u>	<u>\$ 1,112,016</u>	<u>\$ 3,083,826</u>
	2021		
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
<u>At January 1, 2021</u>			
Cost	\$ 1,214,517	\$ 1,131,642	\$ 2,346,159
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(311,391)	(311,391)
	<u>\$ 1,542,311</u>	<u>\$ 820,251</u>	<u>\$ 2,362,562</u>
<u>2021</u>			
Opening net book amount as of January 1	\$ 1,542,311	\$ 820,251	\$ 2,362,562
Additions	197,876	29,929	227,805
Reclassifications	-	(40,624)	(40,624)
Depreciation	-	(12,265)	(12,265)
Closing net book amount as of September 30	<u>\$ 1,740,187</u>	<u>\$ 797,291</u>	<u>\$ 2,537,478</u>
<u>At September 30, 2021</u>			
Cost	\$ 1,412,393	\$ 1,115,203	\$ 2,527,596
Revaluation gain	327,794	-	327,794
Accumulated depreciation	-	(317,912)	(317,912)
	<u>\$ 1,740,187</u>	<u>\$ 797,291</u>	<u>\$ 2,537,478</u>

A. Rental income from investment property and direct operating expenses arising from investment property are as follows:

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Rental income from investment property	\$ 43,717	\$ 42,517
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation)	\$ 9,260	\$ 8,393

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Rental income from investment property	\$ 132,126	\$ 121,859
Direct operating expenses arising from the investment property that generated rental income during the period (including depreciation)	\$ 28,344	\$ 24,925

B. The fair value of the investment property held by the Group was \$3,312,603, \$3,309,155 and \$3,042,902 as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively, based on the market value method, except for Hotai Insurance Co., Ltd., who appoints external independent appraisers to calculate and estimate the price of investment property every three years using at least two appraisal techniques among income approach, comparison method and cost approach, basing on observable price in an active market as well as according to the nature, location and situation of individual asset under “Regulations on Real Estate Appraisal”. It also prepares an internal assessment every year, and if a significant difference has been identified, the Company will engage an external independent appraiser revaluing the fair values of investment property under “Regulations on Real Estate Appraisal” and take the result as the basis of the adjustments for financial statement disclosures. The valuations based on the aforementioned method were categorized within Level 3 in the fair value hierarchy as assessed and its main input was capitalization rate.

Details of amortization on intangible assets are as follows:

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Administrative expenses	\$ 13,590	\$ 22,530

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Administrative expenses	\$ 58,508	\$ 66,846

(16) Impairment of non-financial assets

A. The Group recognised impairment loss for the year ended December 31, 2022 amounting to \$1,092,475. Details of such loss are as follows:

	<u>Nine months ended September 30,</u>	
	<u>Recognised in</u>	<u>Recognised in other</u>
	<u>profit or loss</u>	<u>comprehensive income</u>
Impairment loss - goodwill	\$ 662,323	\$ -
Impairment loss - customer relationships (shown as intangible assets)	430,152	-
	<u>\$ 1,092,475</u>	<u>\$ -</u>

B. The impairment loss reported by operating segments is as follows:

	<u>Nine months ended September 30,</u>	
	<u>Recognised in</u>	<u>Recognised in other</u>
	<u>profit or loss</u>	<u>comprehensive income</u>
Taiwan – other segments	\$ 1,092,475	\$ -

C. For the year ended December 31, 2022, as the Group's subsidiary, Hotai Insurance Co., Ltd., sold the severe and special infectious pneumonia related epidemic prevention insurance products whose claim settlement of the epidemic prevention policy has increased the catastrophe risk of the subsidiary, resulting in an impairment in the Group's goodwill and customer relationship. Accordingly, the Group recognised an impairment loss of \$1,092,475.

D. The recoverable amounts of goodwill and customer relationship were determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a five-year period. For the nine months ended September 30, 2022, the key assumptions used for value-in-use calculations are: gross margin of 30.2%, perpetual growth rate of 2.0% and discount rate of 8.4%.

(17) Other assets

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Long-term accounts receivable (Including long-term notes and accounts receivable)	\$ 7,336,756	\$ 4,700,927	\$ 4,226,043
Reinsurance contract assets	946,307	729,331	874,193
Operation bonds	300,300	300,300	300,300
Guarantee deposits paid	577,347	516,843	470,082
Prepayments for business facilities	178,509	184,433	85,145
Others	<u>1,586,286</u>	<u>1,621,077</u>	<u>1,524,181</u>
	<u>\$ 10,925,505</u>	<u>\$ 8,052,912</u>	<u>\$ 7,479,944</u>

(18) Short-term loans

<u>Type of loans</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Bank loans			
Unsecured loans	\$ 79,912,738	\$ 51,812,383	\$ 45,300,486
Mortgage loans	9,600,000	5,600,000	5,100,000
Mid-term syndicated loans for working capital	<u>11,043,216</u>	<u>9,353,857</u>	<u>9,375,658</u>
	<u>\$ 100,555,954</u>	<u>\$ 66,766,240</u>	<u>\$ 59,776,144</u>
Annual interest rate	<u>0.56%~4.75%</u>	<u>0.52%~4.75%</u>	<u>0.54%~4.30%</u>

As of September 30, 2022, December 31, 2021 and September 30, 2021, the details of loans are as follows:

- A. The Group uses cross currency swap agreement to control the exchange rate risk and interest rate risk. After the cross currency swap, the rate range of short-term loans was 0.56%~4.75%, 0.52%~4.75% and 0.54%~4.30%, respectively.
- B. The subsidiary, HOTAI FINANCE CO., LTD., has entered into a mid-term syndicated contract for a credit line of JPY 30 billion with 19 financial institutions including Mizuho Bank, Ltd., in order to fulfil its working capital. The duration is 36 months (from September 9, 2021 to September 9, 2024). The loan can be drawn several times but is non-revolving. The payment term is to repay the full drawn amounts at the maturity date.
- C. The subsidiary, Hoyun International Lease Co., Ltd., has entered into a mid-term syndicated contract for a credit line of RMB 500 million with 6 financial institutions including CTBC Bank Co., Ltd., in order to fulfil its working capital. The duration is 36 months (from March 31, 2021 to March 29, 2024). The loan can be drawn several times but is non-revolving. The payment term is to repay the drawn amounts in installments within the contract period.
- D. Financial commitments of the Group made for the abovementioned syndicated loans and partial loans from other financial institutions require the Group to maintain specific current ratio, ratio of self-owned capital, interest coverage ratio, net value, debt/equity ratio and non-performing loans ratio during the contract periods.

(19) Short-term notes and bills payable

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Commercial paper payable	\$ 97,083,400	\$ 104,950,000	\$ 99,290,000
Less: Unamortized discount	(<u>131,126</u>)	(<u>88,658</u>)	(<u>54,026</u>)
	<u>\$ 96,952,274</u>	<u>\$ 104,861,342</u>	<u>\$ 99,235,974</u>
Annual interest rate	<u>0.48%~1.88%</u>	<u>0.39%~1.04%</u>	<u>0.29%~1.16%</u>

(20) Bonds payable (Recorded as 'long-term liabilities current portion')

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Bonds payable	<u>\$ 22,200,000</u>	<u>\$ 12,200,000</u>	<u>\$ 12,200,000</u>

The information on corporate bonds issued by the subsidiary, Hotai Finance Co., Ltd. that has been approved by the Competent Authority are as follows:

- A. The second secured ordinary corporate bonds was issued in 2022. The total amount was \$7,000,000, the coupon rate was 1.50% with a 3-year period, the outstanding period was from June 6, 2022 to June 6, 2025, and the bonds would be repaid at face value in a lump sum with

cash on the due date.

- B. The first secured ordinary corporate bonds was issued in 2022. The total amount was \$3,000,000, the coupon rate was 0.57% with a 3-year period, the outstanding period was from January 13, 2022 to January 13, 2025, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- C. The second unsecured ordinary corporate bonds was issued in 2021. The total amount was \$3,000,000, the coupon rate was 0.56% with a 5-year period, the outstanding period was from July 22, 2021 to July 22, 2026, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- D. The first unsecured ordinary corporate bonds was issued in 2021. The total amount was \$2,200,000, the coupon rate was 0.55% with a 5-year period, the outstanding period was from April 15, 2021 to April 15, 2026, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- E. The first unsecured ordinary corporate bonds was issued in 2020. The total amount was \$7,000,000, the coupon rate was 0.70% with a 5-year period, the outstanding period was from April 22, 2020 to April 22, 2025, and the bonds would be repaid at face value in a lump sum with cash on the due date.
- F. The first unsecured ordinary corporate bonds was issued in 2018. The total amount was \$2,400,000, the coupon rate was 0.73% with a 3-year period, the outstanding period was from July 6, 2018 to July 6, 2021, and the bonds would be repaid at face value in a lump sum with cash on the due date. The bonds were fully repaid at maturity date.

(21) Long-term loans

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Long-term bank borrowings						
US dollar denominated borrowings	USD 4,800 thousand; borrowing period is from October 2021 to October 2024; interest is repayable quarterly	1.31%~1.51%	None	\$ 152,079	\$ 132,902	\$ -
	USD 3,500 thousand; borrowing period is from June 2019 to October 2021; interest is repayable quarterly	1.53%~1.68%	None	-	-	97,760
	USD 1,300 thousand; borrowing period is from June 2019 to October 2021; interest is repayable quarterly	1.53%~1.68%	None	-	-	36,311
Secured borrowings	From December 2019 to December 2024	1.20%	Land (please refer to Note 8)	-	40,000	47,500
	From August 2022 to August 2025	1.58%	Notes receivable for lease payments (please refer to Note 8)	150,000	-	-
	From January 2019 to January 2022	1.18%	Notes receivable for lease payments (please refer to Note 8)	-	150,000	150,000
Commercial papers payable	From March 2020 to March 2025	0.65%~1.14%	Notes receivable for lease payments (please refer to Note 8)	5,800,000	-	-
	From April 2019 to November 2024	0.65%~1.06%	Notes receivable for lease payments (please refer to Note 8)	-	5,800,000	-
	From July 2018 to June 2024	0.67%~1.06%	Notes receivable for lease payments (please refer to Note 8)	-	-	5,700,000
Less: unamortized discounts				(8,454)	(7,274)	(6,306)
				6,093,625	6,115,628	6,025,265
Less: long-term liabilities, current portion				(2,596,921)	(1,379,045)	(1,812,740)
				<u>\$ 3,496,704</u>	<u>\$ 4,736,583</u>	<u>\$ 4,212,525</u>
Interest rate range				<u>0.65%~1.58%</u>	<u>0.65%~1.51%</u>	<u>0.67%~1.68%</u>

As of September 30, 2022, the maturities of long-term loans are as follows:

<u>Duration of maturity</u>	<u>Loan amount</u>
Up to 1 year	\$ 2,600,000
1 to 2 years	2,300,000
2 to 3 years	<u>1,202,079</u>
	<u>\$ 6,102,079</u>

(22) Accrued expenses

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Wages and salaries payable	\$ 2,217,105	\$ 2,761,874	\$ 2,175,093
Dealer bonus payable	238,578	271,415	383,176
Remuneration payable to employees	629,401	919,070	675,453
Remuneration payable to directors	-	385,761	303,746
Interest payable	270,391	142,741	123,028
Others	<u>1,951,217</u>	<u>2,476,779</u>	<u>1,835,115</u>
	<u>\$ 5,306,692</u>	<u>\$ 6,957,640</u>	<u>\$ 5,495,611</u>

(23) Pensions

Defined contribution pension plan

A. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

B. The Company’s mainland China subsidiaries have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (“PRC”) are based on certain percentage of employees’ monthly salaries and wages. Other than the monthly contributions, the mainland China subsidiaries have no further obligations.

C. The pension costs under the defined contribution pension plans of the Group for the three months and nine months ended September 30, 2022 and 2021, were \$141,551, \$76,279, \$323,475 and \$220,682, respectively.

(24) Provisions

	<u>2022</u>	<u>2021</u>
At January 1	\$ 4,838,945	\$ 4,141,106
Additional provisions during the period	1,583,620	1,514,502
Used during the period	(1,015,909)	(677,017)
Unused amounts reversed	(<u>620,396</u>)	(<u>338,681</u>)
At September 30	<u>\$ 4,786,260</u>	<u>\$ 4,639,910</u>

Analysis of provision for warranty is as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current (shown as other current liabilities)	\$ 1,017,774	\$ 1,073,047	\$ 1,010,088
Non-current	\$ 3,768,486	\$ 3,765,898	\$ 3,629,822

The Group provides warranties on vehicles and air conditioners sold. Provision for warranty is estimated based on historical warranty data of vehicles, air conditioners and related products.

(25) Guarantee deposits received

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Deposits received for car rentals	\$ 16,391,179	\$ 15,386,885	\$ 14,866,997
Others	102,836	108,278	131,523
	<u>\$ 16,494,015</u>	<u>\$ 15,495,163</u>	<u>\$ 14,998,520</u>

Analysis of guarantee deposits received for warranty is as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current (shown as other current liabilities)	\$ 8,269,520	\$ 7,210,866	\$ 7,834,866
Non-current	\$ 8,224,495	\$ 8,284,297	\$ 7,163,654

(26) Share capital

As of September 30, 2022, the Company's authorized capital was \$6,000,000, consisting of 600,000,000 shares of ordinary stock and the paid-in capital was \$5,461,792 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. The number of the Company's ordinary shares outstanding at January 1, 2022 and September 30, 2022 was both 546,179,184 shares.

(27) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(28) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, then 10% of the remaining amount shall be set aside as legal reserve, and shall be set aside as special reserve as required by the regulations when necessary. The remainder, if any, shall be appropriated as dividends to shareholders which shall account for at least 50%, and cash dividends shall account for at least 10% of the total dividends distributed.

The earnings appropriation ratios and distribution method of dividends to shareholders are determined based on current year's profit and capital position and shall be proposed by the Board of Directors and resolved by the shareholders.

The Board of Directors can distribute all or part of the distributable dividends and bonus in the form of cash as resolved by a majority vote at their meeting attended by two-thirds of the total number of directors and reported to the shareholders. The aforesaid requirement on obtaining resolution from the shareholders is not applicable.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
(b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865 issued by FSC on April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.
- D. On June 21, 2022 and August 12, 2021, the stockholders resolved that total dividends for the distribution of earnings for the years of 2021 and 2020 were \$10,923,584 (\$20 per share) and \$9,285,046 (\$17 per share), respectively.
- E. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(33).

(29) Revenue from contracts with customers

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Distributor of Toyota and Hino products segments	Installment trading segments	Leasing segments	Other segments	Total
<u>Three months ended September 30, 2022</u>					
Segments	\$ 32,024,729	\$ 454,416	\$ 1,801,810	\$ 20,707,323	\$ 54,988,278
Inter segments	(2,623,568)	(837)	(78,924)	(2,177,515)	(4,880,844)
Revenue from external customer					
Contracts	<u>\$ 29,401,161</u>	<u>\$ 453,579</u>	<u>\$ 1,722,886</u>	<u>\$ 18,529,808</u>	<u>\$ 50,107,434</u>
Timing of revenue recognition					
At a point in time	\$ 29,401,161	\$ 379,291	\$ 1,721,960	\$ 17,880,927	\$ 49,383,339
Over time	-	74,288	926	648,881	724,095
	<u>\$ 29,401,161</u>	<u>\$ 453,579</u>	<u>\$ 1,722,886</u>	<u>\$ 18,529,808</u>	<u>\$ 50,107,434</u>
<u>Three months ended September 30, 2021</u>					
Segments	\$ 29,370,419	\$ 403,711	\$ 1,557,628	\$ 19,569,340	\$ 50,901,098
Inter segments	(1,975,737)	(4)	(90,716)	(1,899,749)	(3,966,206)
Revenue from external customer					
Contracts	<u>\$ 27,394,682</u>	<u>\$ 403,707</u>	<u>\$ 1,466,912</u>	<u>\$ 17,669,591</u>	<u>\$ 46,934,892</u>
Timing of revenue recognition					
At a point in time	\$ 27,394,682	\$ 317,145	\$ 1,466,912	\$ 17,011,411	\$ 46,190,150
Over time	-	86,562	-	598,180	684,742
	<u>\$ 27,394,682</u>	<u>\$ 403,707</u>	<u>\$ 1,466,912</u>	<u>\$ 17,609,591</u>	<u>\$ 46,874,892</u>
<u>Nine months ended September 30, 2022</u>					
Segments	\$ 94,761,200	\$ 1,306,502	\$ 5,079,742	\$ 56,262,532	\$ 157,409,976
Inter segments	(6,586,496)	(2,408)	(230,214)	(5,747,220)	(12,566,338)
Revenue from external customer					
Contracts	<u>\$ 88,174,704</u>	<u>\$ 1,304,094</u>	<u>\$ 4,849,528</u>	<u>\$ 50,515,312</u>	<u>\$ 144,843,638</u>
Timing of revenue recognition					
At a point in time	\$ 88,174,704	\$ 1,086,318	\$ 4,846,535	\$ 49,102,209	\$ 143,209,766
Over time	-	217,776	2,993	1,143,103	1,633,872
	<u>\$ 88,174,704</u>	<u>\$ 1,304,094</u>	<u>\$ 4,849,528</u>	<u>\$ 50,515,312</u>	<u>\$ 144,843,638</u>
<u>Nine months ended September 30, 2021</u>					
Segments	\$ 109,546,421	\$ 1,153,001	\$ 4,769,403	\$ 57,740,076	\$ 173,208,901
Inter segments	(7,118,859)	(28)	(322,841)	(6,188,000)	(13,629,728)
Revenue from external customer					
Contracts	<u>\$ 102,427,562</u>	<u>\$ 1,152,973</u>	<u>\$ 4,446,562</u>	<u>\$ 51,552,076</u>	<u>\$ 159,579,173</u>
Timing of revenue recognition					
At a point in time	\$ 102,427,562	\$ 866,412	\$ 4,446,562	\$ 49,863,680	\$ 157,604,216
Over time	-	286,561	-	1,688,396	1,974,957
	<u>\$ 102,427,562</u>	<u>\$ 1,152,973</u>	<u>\$ 4,446,562</u>	<u>\$ 51,552,076</u>	<u>\$ 159,579,173</u>

B. Contract assets and liabilities

The Group has recognized the following revenue-related contract assets and liabilities:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Contract assets:			
Contract assets – construction contracts	\$ 28,474	\$ 29,094	\$ 25,395
Contract liabilities:			
Contract liabilities – sales of goods	\$ 1,431,661	\$ 1,367,624	\$ 1,144,797
Contract liabilities -customer loyalty programs	1,707	3,627	4,279
	<u>\$ 1,433,368</u>	<u>\$ 1,371,251</u>	<u>\$ 1,149,076</u>

For the nine months ended September 30, 2022 and 2021, revenue recognized that was included in the contract liability balance at the beginning of the period amounted to \$1,324,063 and \$1,008,626, respectively.

(30) Interest income

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Installment revenue	\$ 3,445,612	\$ 2,472,729
Finance leasing revenue	720,322	635,028
Interest from deposits and short-term notes	61,599	45,963
Other interest income	13,878	15,487
	<u>\$ 4,241,411</u>	<u>\$ 3,169,207</u>

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Installment revenue	\$ 9,636,617	\$ 7,058,818
Finance leasing revenue	2,055,741	1,778,998
Interest from deposits and short-term notes	174,376	118,906
Other interest income	48,268	54,271
	<u>\$ 11,915,002</u>	<u>\$ 9,010,993</u>

(31) Premium

Details of premium are as follows:

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Written premium	\$ 3,050,947	\$ 2,725,655
Reinsurance premium	101,136	101,909
Less: Reinsurance expense	(717,155)	(535,509)
Net change in unearned premiums reserve	156	(88,167)
	<u>\$ 2,435,084</u>	<u>\$ 2,203,888</u>

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Written premium	\$ 8,996,404	\$ 8,084,411
Reinsurance premium	376,793	307,636
Less: Reinsurance expense	(2,132,613)	(1,804,890)
Net change in unearned premiums reserve	<u>(251,986)</u>	<u>(320,486)</u>
	<u>\$ 6,988,598</u>	<u>\$ 6,266,671</u>

(32) Expenses by nature

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Employee benefit expense	\$ 2,692,424	\$ 2,549,845
Depreciation	2,989,980	2,704,878
Amortization	31,876	33,420
	<u>\$ 5,714,280</u>	<u>\$ 5,288,143</u>

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Employee benefit expense	\$ 7,921,070	\$ 7,269,185
Depreciation	8,751,287	7,886,084
Amortization	93,824	96,921
	<u>\$ 16,766,181</u>	<u>\$ 15,252,190</u>

(33) Employee benefit expense

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Wages and salaries	\$ 2,195,190	\$ 2,227,398
Labor and health insurance fees	204,565	147,271
Pension costs	141,551	76,279
Other personnel expenses	151,118	98,897
	<u>\$ 2,692,424</u>	<u>\$ 2,549,845</u>

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Wages and salaries	\$ 6,667,575	\$ 6,274,227
Labor and health insurance fees	533,050	449,893
Pension costs	323,475	220,682
Other personnel expenses	396,970	324,383
	<u>\$ 7,921,070</u>	<u>\$ 7,269,185</u>

A. According to the Articles of Incorporation of the Company, a percentage of distributable profit of the current year, shall be distributed as employees' compensation and directors' remuneration. The percentage shall be 1% for employees' compensation and shall not be higher than 2% for directors' remuneration. Independent directors will not receive any distributable profit. If a company has accumulated deficit, earnings should be channeled to cover losses.

B. For the three months and nine months ended September 30, 2022 and 2021, employees' remuneration were accrued at (\$61,984), \$43,223, \$0 and \$151,873, respectively; while

directors' remuneration were accrued at (\$123,969), \$86,447, \$0 and \$303,746, respectively. The aforementioned amounts were recognized in salary expenses.

The employees' compensation and directors' remuneration were estimated and accrued based on 1% and 2% of distributable profit of current year for the nine months ended September 30, 2022. The employees' remuneration and directors' remuneration resolved by the Board of Directors were \$192,880 and \$385,761 on March 24, 2022, and the employees' remuneration will be distributed in cash.

Employees' compensation and directors' remuneration of 2021 as resolved by the Board of Directors were in agreement with those amounts recognized in the 2021 financial statements. The employees' compensation will be distributed in cash.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors and shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(34) Income tax

A. Income tax expense

(a) Components of income tax expense:

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax expense recognized in the current period	\$ 1,354,871	\$ 1,161,351
Tax on undistributed surplus earnings	(186,114)	185,747
Prior year income tax underestimation (overestimation)	<u>7,666</u>	<u>(804)</u>
Total current tax	<u>1,176,423</u>	<u>1,346,294</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>(948,989)</u>	<u>104,316</u>
Total deferred tax	<u>(948,989)</u>	<u>104,316</u>
Income tax expense	<u>\$ 227,434</u>	<u>\$ 1,450,610</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Current tax:		
Current tax expense recognized in the current period	\$ 3,728,980	\$ 3,806,181
Tax on undistributed surplus earnings	56,016	197,782
Prior year income tax underestimation (overestimation)	<u>40,132</u>	<u>(56,725)</u>
Total current tax	<u>3,825,128</u>	<u>3,947,238</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>(1,758,753)</u>	<u>280,414</u>
Total deferred tax	<u>(1,758,753)</u>	<u>280,414</u>
Income tax expense	<u>\$ 2,066,375</u>	<u>\$ 4,227,652</u>

	<u>Nine months ended September 30, 2022</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Loss per share (in dollars)</u>
<u>Basic loss per share</u>			
Loss attributable to common shareholders of the parent	(\$ 10,171,868)	546,179	(\$ 18.62)
<u>Diluted loss per share</u>			
Loss attributable to common shareholders of the parent	(\$ 10,171,868)	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	-	
Loss attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	(\$ 10,171,868)	546,179	(\$ 18.62)

	<u>Nine months ended September 30, 2021</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 12,667,726	546,179	\$ 23.19
<u>Diluted earnings per share</u>			
Profit attributable to common shareholders of the parent	\$ 12,667,726	546,179	
Assumed conversion of all dilutive potential common shares			
Employees' compensation	-	348	
Profit attributable to common shareholders of the parent plus assumed conversion of all dilutive potential common shares	\$ 12,667,726	546,527	\$ 23.18

(36) Transactions with non-controlling interest

A. Disposal of equity interest in a subsidiary (that did not result in a loss of control)

- (a) On January 20, 2022, the Company disposed of 30% of the shares of Hotai Connected Co., Ltd. at the consideration of \$337,983 (net of transfer tax) and the Company's share ownership of Hotai Connected Co., Ltd. decreased to 70%. The difference between the consideration received and the carrying amount resulted in a decrease in the non-controlling interest by \$120,102 and an increase in the equity attributable to owners of the parent by \$119,102.
- (b) Subsidiary, Hotai Leasing Co., Ltd., of the Group disposed of 49.18% of shares of Hoing Mobility Service Co., Ltd. to Hotai Connected Co., Ltd. on January 28, 2021. This transaction resulted in an increase in the non-controlling interest by \$17,254 and a decrease in the equity attributable to owners of the parent by \$17,254.

B. Preference share issued by subsidiaries

On September 21, 2022, the Group's subsidiary, Hotai Finance Co., Ltd. increased capital by issuing Class A preference shares which the Group waived to subscribe, and the subscription was made by the specific person contacted by the subsidiary. This transaction resulted in an increase in the non-controlling interest by \$5,000,000.

(37) Changes in liabilities from financing activities

	2022			
	<u>Short-term loans</u>	<u>Short-term notes and bills payable</u>	<u>Long-term liabilities- current portion</u>	<u>Long-term loans</u>
January 1	\$ 66,766,240	\$ 104,861,342	\$ 13,579,045	\$ 4,736,583
Changes in cash flow from financing activities	34,028,891	(7,909,068)	10,000,000	(41,180)
Impact of changes in foreign exchange rate	205,474	-	19,177	-
Changes in other non-cash items	(444,651)	-	1,198,699	(1,198,699)
September 30	<u>\$ 100,555,954</u>	<u>\$ 96,952,274</u>	<u>\$ 24,796,921</u>	<u>\$ 3,496,704</u>
	<u>Guarantee deposits received</u>	<u>Lease liabilities</u>	<u>Dividend payable</u>	<u>Liabilities from financing activities-gross</u>
January 1	\$ 15,495,163	\$ 2,125,133	\$ 7,159	\$ 207,570,665
Changes in cash flow from financing activities	998,852	(358,067)	(10,923,584)	25,795,844
Impact of changes in foreign exchange rate	-	25,510	-	250,161
Changes in other non-cash items	-	299,374	10,926,015	10,780,738
September 30	<u>\$ 16,494,015</u>	<u>\$ 2,091,950</u>	<u>\$ 9,590</u>	<u>\$ 244,397,408</u>
	2021			
	<u>Short-term loans</u>	<u>Short-term notes and bills payable</u>	<u>Long-term liabilities- current portion</u>	<u>Long-term loans</u>
January 1	\$ 48,292,510	\$ 84,021,875	\$ 12,249,530	\$ 3,136,165
Changes in cash flow from financing activities	11,334,494	15,214,099	2,800,000	42,285
Impact of changes in foreign exchange rate	(8,376)	-	(2,715)	-
Changes in other non-cash items	157,516	-	(1,034,075)	1,034,075
September 30	<u>\$ 59,776,144</u>	<u>\$ 99,235,974</u>	<u>\$ 14,012,740</u>	<u>\$ 4,212,525</u>
	<u>Guarantee deposits received</u>	<u>Lease liabilities</u>	<u>Dividend payable</u>	<u>Liabilities from financing activities-gross</u>
January 1	\$ 13,646,358	\$ 1,767,701	\$ 7,212	\$ 163,121,351
Changes in cash flow from financing activities	1,201,283	(433,713)	(9,285,046)	20,873,402
Impact of changes in foreign exchange rate	-	(13,487)	-	(24,578)
Changes in other non-cash items	-	731,017	9,284,997	10,173,530
September 30	<u>\$ 14,847,641</u>	<u>\$ 2,051,518</u>	<u>\$ 7,163</u>	<u>\$ 194,143,705</u>

7. Related Party Transactions

(1) Names of related parties and relationship with the Group (Significant counterparties only)

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Toyota Industries Corporation	Entities controlled by key management
Toyota Motor Asia Pacific Pte Ltd. (TMAP)	Entities controlled by key management
Toyota South Africa Motors (Pty) Ltd.	Entities controlled by key management
Toyota-Motor-Europe-Nv/Sa(TME)	Entities controlled by key management
Toyota-Motor-Sales-USA(TMS)	Entities controlled by key management
Toyota Daihatsu Engineering & Manufacturing Co., Ltd.	Entities controlled by key management
San Xing (Shanghai) Business Management Consulting Co., Ltd.	Entities controlled by key management
Triple S Digital Co.,Ltd.	Entities controlled by key management
Hino Motors, Ltd. (Hino)	Entities controlled by key management
Toyota Motor Corporation (TMC)	Entities controlled by key management
Ho Chuang Insurance Agency Co., Ltd.	Entities controlled by key management
Ho An Insurance Agency Co., Ltd. (Ho An)	Entities controlled by key management
Ho Yu Investment Co., Ltd. (Ho Yu)	Entities controlled by key management
Toyota Motor (China) Investment Co., Ltd. (TMCI)	Entities controlled by key management
Formosa Flexible Packaging Corp.	Associates
Zhongyang Motor Co., Ltd.	Associates
Beijing Heling Lexus Motor Sales & Service Co., Ltd.	Associates
Beijing Hoyu Toyota Motor Sales and Service Co., Ltd.	Associates
Kashiwabara Hotai Taiwan Co., Ltd.	Associates
Yokohama Tire Taiwan Co., Ltd.	Associates
Shi-Ho Screw Industrial Co., Ltd.	Associates
Kuai Shun Transportation Co., Ltd.	Associates
Wang Fu Co., Ltd.	Associates
Nan I Motor Co., Ltd.	Associates
Chang Guan Logistics Co., Ltd.	Associates
ChongQing Yudu Toyota Automobile Sales and Service Co., Ltd.	Associates
ChongQing Yurun Toyota Automobile Service Co., Ltd.	Associates
ChongQing Taikang Heling Lexus Motor Sales & Service Co, Ltd.	Associates
Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.	Associates

Names of related parties	Relationship with the Group
Jinzhong Central Toyota Motor Sale Service Co., Ltd.	Associates
Taizhou Zhongdu Lexus Motor Sale & Service Co., Ltd.	Associates
Tung Tai Asset Management Co., Ltd.	Associates
Tung Yu Motor Co., Ltd.	Associates
Innovation Auto Parts Co., Ltd	Associates
Guangzhou Gac Changho Autotech Corporation	Associates
Linyi Heling Lexus Motor Sales & Service Co., Ltd.	Associates
Nitto Precision Screw Industrial (Zhejiang) Co., Ltd.	Associates
Tianjin Yongda Communication Technology Co., Ltd.	Associates
ZHENG-REN ENERGY CO., LTD.	Associates
Linyi Ho-Yu Toyota Motor Sales And Service Co., Ltd.	Associates
Tianjin Binhai Heling LEXUS Motor Service Co., Ltd.	Associates
Kuozui Motors, Ltd. (Kuozui)	Associates
Kuotu Motor Co., Ltd. (Kuotu)	Associates
Taipei Toyota Motor Co., Ltd. (Taipei Motor)	Associates
Tau Miao Motor Co., Ltd. (Tau Miao)	Associates
Central Motor Co., Ltd. (Central Motor)	Associates
Nan Du Motor Co., Ltd. (Nan Du)	Associates
Kau Du Automobile Co., Ltd. (Kau Du)	Associates
Lang Yang Toyota Motor Co., Ltd.	Associates
Ho Cheng Auto Parts Co., Ltd.	Associates
Hozao Enterprise Co., Ltd.	Associates
Hohung Motors Co., Ltd.	Associates
Horung Motors Co., Ltd.	Associates
Zhong Cheng Motors Co., Ltd.	Associates
Heng Yun Investment Co., Ltd.	Associates
Fan Tai Transportation Co., Ltd. (Fan Tai)	Associates
Yi Tai Transportation Co., Ltd. (Yi Tai)	Associates
Hua Tai Transportation Co., Ltd.	Associates
AIM Technology Corp.	Associates
Guanguan Machinery CO., Ltd.	Associates
Kao Jin Co., Ltd.	Associates
Tau Jin Enterprise Co., Ltd.	Associates
Nantian Technology Co., Ltd.	Associates
He Ru Co, Ltd.	Associates
Innvocation Acto Parts Co., Ltd.	Associates
Shye Shing Enterprise Co., Ltd.	Associates
Zhonghao Automobile Co., Ltd.	Associates

Names of related parties	Relationship with the Group	
The Company's Directors, president, vice president and others	Key management	
(2) Significant related party transactions and balances		
A. Revenue		
	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
(a) Sales revenue:		
-Associates		
Central Motor	\$ 6,259,644	\$ 5,676,716
Tau Miao	5,801,659	5,134,855
Taipei Motor	4,457,180	4,298,889
Kuotu	3,932,941	4,166,002
Others	9,550,015	8,431,191
-Entities controlled by key management	<u>20,503</u>	<u>27,785</u>
	<u>\$ 30,021,942</u>	<u>\$ 27,735,438</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Sales revenue:		
-Associates		
Central Motor	\$ 19,045,817	\$ 21,590,215
Tau Miao	17,459,320	19,680,741
Taipei Motor	12,990,299	15,627,906
Kuotu	11,373,269	14,906,164
Others	28,933,525	32,288,044
-Entities controlled by key management	<u>78,041</u>	<u>83,989</u>
	<u>\$ 89,880,271</u>	<u>\$ 104,177,059</u>
Sales from the Company and subsidiaries to related parties are based on the price lists in force and terms that would be available to third parties. Terms are shown in table 6 of Note 13(1) significant transactions information.		
	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
(b) Rental revenue:		
-Associates	\$ 35,900	\$ 35,608
-Entities controlled by key management	<u>2,800</u>	<u>2,431</u>
	<u>\$ 38,700</u>	<u>\$ 38,039</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Rental revenue:		
-Associates	\$ 112,734	\$ 108,505
-Entities controlled by key management	<u>7,954</u>	<u>7,293</u>
	<u>\$ 120,688</u>	<u>\$ 115,798</u>

The Company and subsidiaries entered into rental contracts based on normal conditions with related parties and collect rents monthly based on the contracts.

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
(c) Service revenue:		
Service sales:		
-Associates	\$ 16,803	\$ 8,551
-Entities controlled by key management	9,710	716
Contracted operating revenue:		
-Associates	<u>5,949</u>	<u>4,239</u>
	<u>\$ 32,462</u>	<u>\$ 13,506</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Service revenue:		
Service sales:		
-Associates	\$ 43,866	\$ 27,914
-Entities controlled by key management	27,083	25,678
Contracted operating revenue:		
-Associates	<u>18,068</u>	<u>17,431</u>
	<u>\$ 89,017</u>	<u>\$ 71,023</u>
	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
(d) Subsidy income for price difference from installments:		
-Associates	<u>\$ 58,230</u>	<u>\$ 90,991</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Subsidy income for price difference from installments:		
-Associates	<u>\$ 192,295</u>	<u>\$ 215,141</u>
	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
(e) Warranty revenue (shown as deductions to cost of sales):		
-Associates		
Kuozui	\$ 31,557	\$ 31,880
-Entities controlled by key management		
TMAP	80,723	96,007
Others	<u>30</u>	<u>936</u>
	<u>\$ 112,310</u>	<u>\$ 128,823</u>

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Warranty revenue (shown as deductions to cost of sales):		
-Associates		
Kuozui	\$ 87,697	\$ 101,892
-Entities controlled by key management		
TMAP	215,311	267,473
Others	384	959
	<u>\$ 303,392</u>	<u>\$ 370,324</u>
	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
(f) Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense):		
-Associates		
Kuoto	\$ 60,006	\$ 12,161
Others	38,424	28,222
-Entities controlled by key management		
TMC	3,067	1,036
Others	193	189
	<u>\$ 101,690</u>	<u>\$ 41,608</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Advertisement subsidy and sales promotion revenue (shown as deductions to advertisement expense):		
-Associates		
Kuoto	\$ 168,506	\$ 105,232
Others	96,737	87,716
-Entities controlled by key management		
TMC	34,499	43,787
Others	1,027	2,117
	<u>\$ 300,769</u>	<u>\$ 238,852</u>
	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
(g) Miscellaneous income:		
-Associates		
Kuoto	\$ 30,973	\$ 23,149
Others	52,627	59,125
-Entities controlled by key management		
	<u>17,671</u>	<u>21,716</u>
	<u>\$ 101,271</u>	<u>\$ 103,990</u>

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Miscellaneous income:		
-Associates		
Kuoto	\$ 99,151	\$ 97,706
Others	138,574	133,839
-Entities controlled by key management	<u>64,981</u>	<u>63,968</u>
	<u>\$ 302,706</u>	<u>\$ 295,513</u>

B. Expenditures

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
(a) Purchases of goods:		
-Associates		
Kuozui	\$ 15,266,727	\$ 12,024,333
Others	689,518	558,720
-Entities controlled by key management		
TMC	8,415,703	7,334,698
Others	<u>6,132,235</u>	<u>4,869,699</u>
	<u>\$ 30,504,183</u>	<u>\$ 24,787,450</u>

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Purchases of goods:		
-Associates		
Kuozui	\$ 44,440,908	\$ 45,650,093
Others	1,901,506	1,719,619
-Entities controlled by key management		
TMC	26,425,131	33,570,549
Others	<u>14,845,638</u>	<u>16,145,901</u>
	<u>\$ 87,613,183</u>	<u>\$ 97,086,162</u>

The Company and subsidiaries sold domestic cars which were purchased from Kuozui and imported cars and parts which were purchased from TMC, HINO, Toyota Motor (China) Investment Co., Ltd. (“TMCI”), TMAP, TMS and TME. Payment terms are shown in table 6 of Note 13(1) Significant transactions information.

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
(b) Warranty cost:		
-Associates		
Kuotu	\$ 35,712	\$ 32,580
Central Motor	34,560	29,341
Tau Miao	30,120	23,785
Nan Du	20,631	18,085
Kau Du	19,223	17,642
Taipei Motor	19,760	17,745
Others	4,119	3,086
-Entities controlled by key management	<u>-</u>	<u>344</u>
	<u>\$ 164,125</u>	<u>\$ 142,608</u>

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Warranty cost:		
-Associates		
Kuotu	\$ 83,045	\$ 82,067
Central Motor	79,545	75,411
Tau Miao	71,388	62,488
Nan Du	50,999	45,073
Kau Du	47,550	45,467
Taipei Motor	47,518	43,442
Others	10,069	8,645
-Entities controlled by key management	<u>493</u>	<u>2,639</u>
	<u>\$ 390,607</u>	<u>\$ 365,232</u>

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
(c) Freight:		
-Associates		
Fan Tai	\$ 43,088	\$ 42,138
Yi Tai	45,213	34,244
Others	<u>612</u>	<u>679</u>
	<u>\$ 88,913</u>	<u>\$ 77,061</u>

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Freight:		
-Associates		
Fan Tai	\$ 129,013	\$ 146,444
Yi Tai	124,212	108,955
Others	<u>1,919</u>	<u>2,354</u>
	<u>\$ 255,144</u>	<u>\$ 257,753</u>
	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
(d) Commission expense:		
-Entities controlled by key management		
Ho An	<u>\$ 278,312</u>	<u>\$ 256,844</u>
	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Commission expense:		
-Entities controlled by key management		
Ho An	<u>\$ 785,234</u>	<u>\$ 758,072</u>
	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
(e) Others:		
-Associates		
Kuotu	\$ 1,654,453	\$ 2,025,450
Kau Du	1,158,075	1,421,466
Taipei Motor	954,450	1,142,087
Central Motor	2,051	1,532,254
Tau Miao	1,126,080	1,447,898
Nan Du	70,097	834,097
Others	<u>1</u>	<u>64,166</u>
	<u>\$ 4,965,207</u>	<u>\$ 8,467,418</u>

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Others:		
-Associates		
Kuotu	\$ 4,888,840	\$ 5,634,876
Kau Du	3,593,918	4,247,556
Taipei Motor	2,726,447	3,200,471
Central Motor	621,792	4,865,680
Tau Miao	2,575,765	4,384,678
Nan Du	70,097	3,075,560
Others	<u>1,026</u>	<u>260,199</u>
	<u>\$ 14,477,885</u>	<u>\$ 25,669,020</u>

As described in Note 4(43), Hotai Finance Co., Ltd. receives only interest income rather than gross profit from the installment sales with related parties. Therefore, sales revenue and cost of sales are presented in net amount and movable properties arising from the transaction are all pledged as collateral. Terms of purchases from related parties are in agreement with third parties. Terms are shown in table 6 of Note 13(1) significant transactions information.

Starting from 2022, part of the installment business is carried out in cooperation with related parties by signing a debt assignment agreement with consumers, so it is not listed in the above table.

C. Receivables from (payables to) related parties

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
(a) Receivables from related parties:			
-Associates	\$ 2,727,866	\$ 2,022,437	\$ 1,583,385
-Entities controlled by key management	<u>14,602</u>	<u>21,414</u>	<u>14,103</u>
	<u>\$ 2,742,468</u>	<u>\$ 2,043,851</u>	<u>\$ 1,597,488</u>
(b) Other receivables from related parties:			
-Associates	\$ 157,355	\$ 160,044	\$ 102,199
-Entities controlled by key management	<u>5,783</u>	<u>6,722</u>	<u>4,607</u>
	<u>\$ 163,138</u>	<u>\$ 166,766</u>	<u>\$ 106,806</u>
(c) Accounts payable:			
-Associates	\$ 2,337,951	\$ 1,228,040	\$ 1,576,486
-Entities controlled by key management	<u>3,934,948</u>	<u>3,565,396</u>	<u>1,220,521</u>
	<u>\$ 6,272,899</u>	<u>\$ 4,793,436</u>	<u>\$ 2,797,007</u>

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
(d) Accrued expenses and other payables:			
-Associates	\$ 279,607	\$ 221,742	\$ 317,452
-Entities controlled by key management	<u>189</u>	<u>1,336</u>	<u>322</u>
	<u>\$ 279,796</u>	<u>\$ 223,078</u>	<u>\$ 317,774</u>
	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
(e) Commissions payable:			
-Entities controlled by key management			
Ho An	<u>\$ 77,812</u>	<u>\$ 93,342</u>	<u>\$ 70,478</u>
<u>D. Prepayments to suppliers</u>			
	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Entities controlled by key management	<u>\$ 264,089</u>	<u>\$ 296,912</u>	<u>\$ 102,867</u>
<u>E. Property transactions</u>			
Acquisition of rental assets and equipment			
	<u>Three months ended September 30,</u>		
	<u>2022</u>	<u>2021</u>	
-Associates			
Kuotu	\$ 894,922	\$ 779,569	
Central Motor	327,009	376,016	
Taipei Motor	349,824	343,287	
Tau Miao	218,722	284,773	
Others	364,725	360,421	
-Entities controlled by key management	<u>-</u>	<u>17,814</u>	
	<u>\$ 2,155,202</u>	<u>\$ 2,161,880</u>	
	<u>Nine months ended September 30,</u>		
	<u>2022</u>	<u>2021</u>	
-Associates			
Kuotu	\$ 2,776,113	\$ 2,266,283	
Central Motor	1,042,247	1,006,515	
Taipei Motor	1,252,813	956,063	
Tau Miao	712,539	743,090	
Others	1,072,276	1,102,684	
-Entities controlled by key management	<u>1,908</u>	<u>26,107</u>	
	<u>\$ 6,857,896</u>	<u>\$ 6,100,742</u>	

F. Leasing arrangements – lessee

The Company and subsidiaries entered into the lease agreement with related parties based on the market price and the rent is paid on a monthly basis according to the agreement.

Lease liabilities

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
- Entities controlled by key management			
Ho Yu	\$ 71,235	\$ 83,197	\$ 86,860
- Associates			
Kuozui	8,769	13,099	14,534
Others	<u>2,181</u>	<u>4,669</u>	<u>5,180</u>
	<u>\$ 82,185</u>	<u>\$ 100,965</u>	<u>\$ 106,574</u>

G. Loans to related parties:

Loans to related parties

Outstanding balance:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
-Associates			
Chongqing Taikang Heling	\$ 133,876	\$ 130,281	\$ 86,136
Tianjin Binhai Heling	66,938	43,427	43,068
Beijing Heling	-	86,854	129,204
Others	<u>-</u>	<u>21,714</u>	<u>34,454</u>
	<u>\$ 200,814</u>	<u>\$ 282,276</u>	<u>\$ 292,862</u>

(3) Key management remuneration

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	(\$ 98,643)	\$ 113,082

	<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Salaries and other short-term employee benefits	\$ 109,958	\$ 414,687

8. Pledged Assets

The Group's assets pledged as collateral are as follows:

<u>Pledged asset</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>Purpose</u>
Notes and accounts receivable (Note 1)	\$ 6,054,587	\$ 5,349,850	\$ 5,181,384	Short-term borrowings and commercial papers payable
Financial assets at fair value through other comprehensive income (Note 2)	300,300	300,300	300,300	Operation bonds
Restricted assets (Note 3)				
-Demand and time deposits	818,134	510,548	590,382	Short-term borrowings, performance guarantee and issuance of L/C (Note 4)
-Land	<u>543,133</u>	<u>543,133</u>	<u>543,133</u>	Long-term borrowings
	<u>\$ 7,716,154</u>	<u>\$ 6,703,831</u>	<u>\$ 6,615,199</u>	

Note 1: As of September 30, 2022, guarantee notes receivables were pledged as collaterals for short-term borrowings and commercial paper payable to banks amounting to \$411,577.

Note 2: Shown as 'other assets'.

Note 3: Shown as 'other financial assets -current' and 'other financial assets-non-current'.

Note 4: As of September 30, 2022, December 31, 2021 and September 30, 2021, the certificates of deposit amounting to \$11,418, \$9,913 and \$9,983, respectively, were pledged to the financial institution to issue the letter of credit required by the unexpired insurance policies worldwide underwritten by the subsidiary, Hotai Insurance Co., Ltd.

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

- (1) As of September 30, 2022, the Company's subsidiary, Hotai Insurance Co., Ltd. has entered into construction contracts and the unpaid construction amount is \$523,128.
- (2) As of September 30, 2022, the consideration for land contracted but not yet paid of the subsidiary, Chang Yuan Motor Co., Ltd., amounted to \$246,000.
- (3) Significant contracts signed by the Group with related parties and non-related parties as of September 30, 2022 are summarized as follows:

A. The Company

<u>Type of contracts</u>	<u>Party involved</u>	<u>Contract period</u>	<u>Main contents</u>
Distributor agreement	Toyota Motor Corporation	January 1, 2022 to December 31, 2024	Sales of imported or domestic models, parts and accessories of Toyota and Hino in Taiwan.
	Hino Motors, Ltd.	April 1, 2021 to March 31, 2026 (Hino)	
Agreement on sale and purchase of Kuozui product	Kuozui Motors, Ltd.	Except for execution of termination clause, contract terms remain effective from July 1, 1995 (Hino) and January 1, 2022 (Toyota).	Kuozui Motors, Ltd. agrees to provide vehicles, parts and accessories, which are manufactured under authorization, to the Company for sale purpose in Taiwan.
Product dealership agreement	Kuotu Motor Co., Ltd. And other dealers	May 15, 2021 to May 14, 2024	Authorized dealers sell vehicles, parts and automobile products provided by the Company.
Contracted operating contracts	Kuotu Motor Co., Ltd. Kuozui Motors, Ltd. Chang Yuan Motor Co., Ltd.	Starting from July 1, 2009 Starting from June 1, 2002 Starting from January 1, 2003 Except for termination signed by both parties, contracts remain effective.	The Company was designated to conduct affairs such as sales, supply chain management, pre-sale services, after-sale services and promotion management.

B.Chang Yuan Motor Co., Ltd.

Type of contracts	Party involved	Contract period	Main contents
Trading contracts	Kuozui Motors, Ltd.	Starting from January 1, 2003, except for termination signed by both parties or breach of contract, contracts remain effective.	Kuozui Motors, Ltd. agrees to provide vehicles and parts, which are manufactured under authorization, to the Company for sale purpose in Taiwan.

C.Toyota Material Handling Taiwan Ltd.

Type of contracts	Party involved	Contract period	Main contents
Distributor agreement	Toyota Industries Corporation	April 1, 2020 to March 31, 2023	Sales of imported Toyota vehicles and parts for industrial and industry use in Taiwan.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

- (1) In response to the indemnity for severe and special infectious pneumonia related epidemic prevention insurance products, the shareholders of the subsidiary, Hotai Insurance Co., Ltd., at their second interim meeting held on September 27, 2022 resolved to implement the capital increase through the private placement within the limit of 2.6 billion shares, which will be implemented within one year from the date of the resolution of the shareholders' meeting and may be made in three installments. On October 11, 2022, the subsidiary, Hotai Insurance Co., Ltd., completed its first private placement of 2 billion shares with a par value of \$10 (in dollars) for a total capital increase amounting to 20 billion dollars, which was fully subscribed by the Company after the resolution of the Board of Directors on September 27, 2022. After the capital increase, the paid-in capital of Hotai Insurance Co., Ltd. amounted to \$22,000,000, and the second private placement of 600 million shares is proposed to be resolved by the Board of Directors and pending for the approval from the Competent Authority.
- (2) The Board of Directors of subsidiary, He Jun Energy Co., Ltd., resolved to participate in the capital increase of ZHENG-REN ENERGY CO.,LTD., within \$500,000 and the subsidiary's shareholding ratio to ZHENG-REN ENERGY CO.,LTD. is up to 35% after the capital increase.
- (3) The Board of Directors of the company resolved to organize a bank syndicated loan, the amount is expected to be \$30,000,000. The final contract amount can be adjusted up or down by 50%.

12. Others

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and considering future capital requirements and long-term capital plan in order to support operations and maximize returns for shareholders. Information on the capital management policy that the Group's subsidiary, Hotai Insurance Co., Ltd., made based on the Insurance Law of the Republic of China is provided in Note 12(13).

(2) Financial instruments

A. Financial instruments by category

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 5,863,510	\$ 8,794,920	\$ 9,491,294
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	7,818,753	9,299,511	9,095,295
Qualifying equity instrument	776,156	1,615,489	1,628,268
Financial assets at amortized cost/Loans and receivables			
Cash and cash equivalents	18,873,559	25,813,580	15,063,055
Notes receivable	12,589,816	10,731,037	11,559,638
Accounts receivable	212,645,374	179,803,972	168,002,709
Long-term notes and accounts receivable	6,722,050	4,082,783	3,581,582
Other receivables	2,071,069	1,492,994	1,558,918
Guarantee deposits paid	877,647	817,143	770,382
Other financial assets	3,366,319	2,938,704	2,666,301
Derivative financial assets for hedging	232,491	-	-
	<u>\$ 271,836,744</u>	<u>\$ 245,390,133</u>	<u>\$ 223,417,442</u>
 <u>Financial liabilities</u>			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	\$ 23,783	\$ 27,780	\$ 8,323
Financial liabilities at amortized cost			
Short-term loans	100,555,954	66,766,240	59,776,144
Short-term notes and bills payable	96,952,274	104,861,342	99,235,974
Notes payable	933,892	783,316	933,183
Accounts payable	10,074,173	8,794,001	4,968,853
Accrued expenses	5,306,692	6,957,640	5,495,611
Other payables	1,609,619	1,407,173	1,272,578
Commission payable	425,008	545,799	415,328
Corporate bonds payable (including current portion)	22,200,000	12,200,000	12,200,000
Long-term borrowings (including current portion)	6,093,625	6,115,628	6,025,265
Guarantee deposits received	16,494,015	15,495,163	14,998,520
Other financial liabilities	44,379	53,707	58,137
	<u>\$ 260,713,414</u>	<u>\$ 224,007,789</u>	<u>\$ 205,387,916</u>
Lease liabilities	<u>\$ 2,091,950</u>	<u>\$ 2,125,133</u>	<u>\$ 2,051,518</u>
Financial liabilities for hedging	<u>\$ 1,028,549</u>	<u>\$ 578,276</u>	<u>\$ 282,066</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimize any adverse effects on the financial performance of the Group, derivative financial instruments, such as foreign exchange forward contracts are used to hedge certain exchange rate risk, and cross currency swap contracts are used to fix variable future cash flows.
- (b) Risk management is carried out by finance departments of companies within the Group under policies approved by the Board of Directors. Finance departments identify, evaluate and hedge financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.
- (c) Information on the additional risk management policy of the Company's subsidiary, Hotai Insurance Co., Ltd., is provided in Note 12(5).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange rate arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. Exchange rate risk is measured through a forecast of highly probable USD and JPY expenditures. Forward foreign exchange contracts are adopted to minimize the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Group hedges foreign exchange rate by using forward exchange contracts. However, the Group does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2). Moreover, the Group enters into cross currency swap contracts to hedge the foreign exchange risk arising from foreign currency loan underwritten by financial institutions, shown as derivative financial assets and liabilities for hedging. The information is provided in Note 6(4).
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). After taking into consideration the use of cross currency swap contracts, the information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2022			December 31, 2021				
	Foreign currency amount		Exchange rate	Book value	Foreign currency amount		Exchange rate	Book value
	(In thousands)				(In thousands)			
(Foreign currency: functional currency)								
<u>Financial assets</u>								
<u>Monetary items</u>								
USD:NTD	USD	57,695	31.7500	\$ 1,831,816	USD	86,187	27.6800	\$ 2,385,656
JPY:NTD	JPY	592,081	0.2201	130,317	JPY	695,429	0.2405	167,251
RMB:NTD	CNY	9,200	4.4625	41,055	CNY	9,711	4.3427	42,172
USD:RMB (Note)	USD	1,057	7.1148	33,560	USD	76	6.3739	2,104
<u>Financial liabilities</u>								
<u>Monetary items</u>								
USD:NTD	USD	219,927	31.7500	\$ 6,982,682	USD	246,681	27.6800	\$ 6,828,130
JPY:NTD	JPY	173,852	0.2201	38,265	JPY	176,564	0.2405	42,464
RMB:NTD	CNY	3,078	4.4625	13,736	CNY	15,181	4.3427	65,927
USD:RMB (Note)	USD	-	7.1148	-	USD	4,800	6.3739	132,864

	September 30, 2021			
	Foreign currency amount		Exchange rate	Book value
	(In thousands)			
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	USD	74,883	27.8500	\$ 2,085,492
JPY:NTD	JPY	394,961	0.2490	98,345
RMB:NTD	CNY	4,231	4.3068	18,222
USD:RMB	USD	-	-	-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	USD	94,932	27.8500	\$ 2,643,856
JPY:NTD	JPY	183,204	0.2490	45,618
RMB:NTD	CNY	6,161	4.3068	26,534
USD:RMB	USD	4,800	6.4665	133,680

Note: The functional currencies of certain consolidated entities are not NTD, thus, this information has to be considered when reporting. For example, when a subsidiary's functional currency is RMB, the subsidiary's segments that are involved with USD have to be taken into consideration.

- v. The total exchange (loss) gain, including realized and unrealized, arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2022 and 2021, amounted to (\$225,726), \$69,023, (\$145,988) and \$501,991, respectively.

vi. The Group took the use of cross currency swap contracts into account and analysis of foreign currency market risk arising from significant foreign exchange variation is as follows:

	<u>Nine months ended September 30, 2022</u>			<u>Nine months ended September 30, 2021</u>		
	Sensitivity analysis			Sensitivity analysis		
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	1%	\$ 18,318	\$ -	1%	\$ 20,855	\$ -
JPY:NTD	1%	1,303	-	1%	983	-
RMB:NTD	1%	411	-	1%	182	-
USD:RMB (Note)	1%	336	-	1%	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1%	69,827	-	1%	26,439	-
JPY:NTD	1%	383	-	1%	456	-
RMB:NTD	1%	137	-	1%	265	-
USD:RMB (Note)	1%	-	-	1%	1,537	-

Note: The functional currencies of certain consolidated entities are not NTD, thus, this information has to be considered when reporting. For example, when a subsidiary's functional currency is RMB, the subsidiary's segments that are involved with USD have to be taken into consideration.

Price risk and interest rate risk

- i. The Company's and the subsidiaries' financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income are domestic quasi money market fund and listed stocks which are influenced by fluctuation in market price.
- ii. The subsidiary's, Hotai Finance Co., Ltd., main interest rate risk arises from borrowings with variable rates, which expose the Group to cash flow interest rate risk.
- iii. The subsidiary, Hotai Finance Co., Ltd., assessed the market risk of cross currency swap by using PVBP (Present Value of Basis Point). However, the contracted notional principal equal to the amount of hedged liabilities, and the duration, resetting date, date of receiving and paying of interest and principal and the index of measuring interest were both the same, which can use to offset the market risk, thus, the Group did not expect significant market risk.
- iv. The subsidiary, Hotai Finance Co., Ltd., is not exposed to the risk arising from variations in the market interest rates as the debt products the subsidiary issued are all fixed rate liabilities.
- v. If the borrowing interest rate had increased/decreased by 1% with all other variables held constant and considering the use of cross currency swap contracts, profit after tax for the nine months ended September 30, 2022 and 2021 would have increased/decreased by \$258,016 and \$6,553, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b)Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.
- ii. The Group manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with good rating are accepted. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The subsidiary, Hotai Finance Co., Ltd. (HFC), entered into agreements with banks for handling financing through pledging new and used vehicles. In accordance with the agreements, HFC is responsible for expansion of client lists, assisting expansion of installment loans for cars and unsecured loans. If borrowers are late for payment, HFC shall repay on behalf of the borrowers, and request claims of the borrowings and mortgage of vehicles. As of September 30, 2022, December 31, 2021 and September 30, 2021, HFC has financial instruments with off-balance-sheet credit risk amounting to \$4,291,543, \$5,211,354 and \$5,421,621, respectively, and HFC has collected notes for installment payment on behalf of the banks amounting to \$71,709, \$90,436 and \$97,001, respectively. HFC assesses financial guarantee contract liabilities which may arise from rendering the above services based on historical experience, and recognizes financial guarantee expense which is shown as 'other current liabilities'.
- iv. The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
 - (i) If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - (ii) For investments in bonds that are traded over the counter, if any external credit rating agency rates these bonds as investment grade, the credit risk of these financial assets is low.
- v. For the subsidiaries, Hotai Finance Co., Ltd. and Hoyun International Lease Co., Ltd., the default occurs when the contract payments are past due over 150 days. Additionally, when the contract payments are past due over 90 days and are not expected to be recovered, the default has occurred.

- vi. The Group classified accounts receivable and contract assets based on customers' default and used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable and contract assets. Not including the subsidiaries, Hotai Finance Co., Ltd., Hoyun International Lease Co., Ltd. and Hotai Insurance Co., Ltd., estimated loss allowance arising from accounts receivable and contract assets amounted to \$55,757.
- vii. Subsidiary, Hotai Finance Co., Ltd. and Hoyun International Lease Co., Ltd. used forecastability such as historical experience and the prediction of future economic situation to establish loss rate for estimating loss allowance for instalment and lease payments accounts and notes receivable. As of September 30, 2022, December 31, 2021 and September 30, 2021, the provision matrix is as follows:

September 30, 2022	Not past due	Later than 31 to 60 days	Later than 61 to 90 days	Later than 91 to 120 days	Later than 121 to 150 days	Over 151 days	Total
Total book value	\$ 250,116,189	\$ 657,336	\$ 417,276	\$ 274,057	\$ 239,654	\$ 519,216	\$ 252,223,728
Loss allowance	\$ 2,830,827	\$ 302,788	\$ 309,207	\$ 231,019	\$ 219,731	\$ 506,403	\$ 4,399,975

December 31, 2021	Not past due	Later than 31 to 60 days	Later than 61 to 90 days	Later than 91 to 120 days	Later than 121 to 150 days	Over 151 days	Total
Total book value	\$ 208,270,199	\$ 471,249	\$ 253,201	\$ 187,611	\$ 127,510	\$ 410,656	\$ 209,720,426
Loss allowance	\$ 2,646,064	\$ 211,861	\$ 186,550	\$ 158,100	\$ 116,987	\$ 402,644	\$ 3,722,206

September 30, 2021	Not past due	Later than 31 to 60 days	Later than 61 to 90 days	Later than 91 to 120 days	Later than 121 to 150 days	Over 151 days	Total
Total book value	\$ 194,470,193	\$ 438,915	\$ 192,579	\$ 124,909	\$ 110,892	\$ 493,313	\$ 195,830,801
Loss allowance	\$ 2,528,669	\$ 201,384	\$ 140,865	\$ 101,572	\$ 100,261	\$ 485,173	\$ 3,557,924

- viii. Credit risk information of subsidiary, Hotai Insurance Co., Ltd., as of September 30, 2022, December 31, 2021 and September 30, 2021 is provided in Note 12(6)A.
- ix. Movements in relation to the Group applying the simplified approach to provide loss allowance are as follows (Note):

	2022	2021
	Receivables	Receivables
At January 1	\$ 3,782,588	\$ 3,414,181
Provision for impairment	1,771,258	1,289,676
Write-offs	(1,142,274)	(1,056,071)
Others	68,780	(21,533)
At September 30	<u>\$ 4,480,352</u>	<u>\$ 3,626,253</u>

Note : Including all the Group's consolidated entities.

For the nine months ended September 30, 2022 and 2021, gain on recoverable bad debts amounted to \$578,474 and \$467,673, respectively, presented as a deduction item to expected credit loss.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by finance departments of companies within the Group. Finance departments of companies within the Group monitor rolling forecasts of the Group's

liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

- ii. As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group's unused credit line amounted to \$114,978,435, \$86,372,762 and \$84,772,881, respectively.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest.

Non-derivative financial liabilities:

September 30, 2022

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Short-term loans	\$ 83,149,614	\$ 11,223,172	\$ 7,099,287
Short-term notes and bills payable	74,729,531	13,286,855	8,935,888
Notes payable	933,892	-	-
Accounts payable	10,074,173	-	-
Accrued expenses	5,306,692	-	-
Other payables	1,609,619	-	-
Commission payable	425,008	-	-
Lease liabilities	476,528	390,874	1,462,663
Bonds payable	209,000	209,000	22,356,106
Long-term loans (including current portion)	2,600,000	2,300,000	1,202,079

Non-derivative financial liabilities:

December 31, 2021

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Short-term loans	\$ 56,460,349	\$ 3,235,302	\$ 7,582,358
Short-term notes and bills payable	85,334,241	16,844,594	3,000,976
Notes payable	783,316	-	-
Accounts payable	8,794,001	-	-
Accrued expenses	6,957,640	-	-
Other payables	1,407,173	-	-
Commission payable	545,799	-	-
Lease liabilities	469,489	394,007	1,520,751
Bonds payable	77,900	77,900	12,334,873
Long-term loans (including current portion)	1,556,079	2,337,888	2,301,950

Non-derivative financial liabilities:

September 30, 2021

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Short-term loans	\$ 49,050,579	\$ 2,784,398	\$ 8,422,142
Short-term notes and bills payable	76,771,502	19,059,482	3,404,990
Notes payable	933,183	-	-
Accounts payable	4,968,853	-	-
Accrued expenses	5,495,611	-	-
Other payables	1,272,578	-	-
Commission payable	415,328	-	-
Lease liabilities	386,465	320,398	1,287,479
Bonds payable	77,900	77,900	12,354,508
Long-term loans (including current portion)	1,814,071	2,617,500	1,600,000

Derivative financial liabilities:

September 30, 2022

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Cross currency swaps	\$ -	\$ 228,837	\$ 873,621
Forward exchange contracts	23,783	-	-

Derivative financial liabilities:

December 31, 2021

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>Over 2 years</u>
Cross currency swaps	\$ -	\$ -	\$ 578,276
Forward exchange contracts	27,780	-	-

Derivative financial liabilities:

September 30, 2021

	<u>Up to 1 year</u>	<u>1 to 2 years</u>	<u>2 to 3 years</u>
Cross currency swaps	\$ -	\$ -	\$ 282,066
Forward exchange contracts	8,323	-	-

iv. Information on insurance contracts risk of the Company's subsidiary, Hotai Insurance Co., Ltd., is provided in Note 12(6).

(3) Fair value information

A. The different levels of valuation techniques used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed shares and beneficial certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The Group's equity investments with no active markets and infrastructure fund are included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(14).

C. Financial instruments not measured at fair value

Including the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable, accrued expenses, other payables, commission payables and bonds payable are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>September 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates	\$ 1,111,690	\$ -	\$ 543,009	\$ 1,654,699
Forward exchange contracts	-	581,313	-	581,313
Foreign exchange swap contracts	-	308	-	308
Bond investment	-	1,002,836	-	1,002,836
Equity securities	946,737	-	-	946,737
Exchange traded funds	1,028,675	-	-	1,028,675
Financial instruments	-	648,942	-	648,942
Derivative financial assets for hedging	-	232,491	-	232,491
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	1,076,456	-	1,076,456
Equity securities	<u>7,375,894</u>	<u>-</u>	<u>442,859</u>	<u>7,818,753</u>
Liabilities	<u>\$ 10,462,996</u>	<u>\$ 3,542,346</u>	<u>\$ 985,868</u>	<u>\$ 14,991,210</u>
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Foreign exchange swap contracts	\$ -	\$ 23,783	\$ -	\$ 23,783
Derivative financial liabilities for hedging	<u>-</u>	<u>1,028,549</u>	<u>-</u>	<u>1,028,549</u>
	<u>\$ -</u>	<u>\$ 1,052,332</u>	<u>\$ -</u>	<u>\$ 1,052,332</u>

Note: Including operation bonds.

<u>December 31, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates	\$ 2,636,248	\$ -	\$ 437,495	\$ 3,073,743
Forward exchange contracts	-	10,987	-	10,987
Foreign exchange swap contracts	-	1,600	-	1,600
Bond investment	-	1,035,718	-	1,035,718
Equity securities	2,056,154	-	-	2,056,154
Exchange traded funds	1,933,425	-	-	1,933,425
Financial instruments	-	683,293	-	683,293
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	1,915,788	-	1,915,788
Equity securities	<u>8,932,741</u>	<u>-</u>	<u>366,770</u>	<u>9,299,511</u>
	<u>\$ 15,558,568</u>	<u>\$ 3,647,386</u>	<u>\$ 804,265</u>	<u>\$ 20,010,219</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 27,722	\$ -	\$ 27,722
Foreign exchange swap contracts	-	58	-	58
Derivative financial liabilities for hedging	-	<u>578,276</u>	-	<u>578,276</u>
	<u>\$ -</u>	<u>\$ 606,056</u>	<u>\$ -</u>	<u>\$ 606,056</u>

Note: Including operation bonds.

<u>September 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Assets</u>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic and foreign beneficiary certificates	\$ 3,045,530	\$ -	\$ 427,437	\$ 3,472,967
Forward exchange contracts	-	20,213	-	20,213
Foreign exchange swap contracts	-	991	-	991
Bond investment	-	1,038,055	-	1,038,055
Equity securities	1,709,648	-	-	1,709,648
Exchange traded funds	1,836,886	-	-	1,836,886
Financial instruments	-	1,412,534	-	1,412,534
Financial assets at fair value through other comprehensive income				
Bond investment (Note)	-	1,928,568	-	1,928,568
Equity securities	<u>8,719,555</u>	<u>-</u>	<u>375,740</u>	<u>9,095,295</u>
	<u>\$ 15,311,619</u>	<u>\$ 4,400,361</u>	<u>\$ 803,177</u>	<u>\$ 20,515,157</u>
<u>Liabilities</u>				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contracts	\$ -	\$ 7,188	\$ -	\$ 7,188
Foreign exchange swap contracts	-	1,135	-	1,135
Derivative financial liabilities for hedging				
	<u>-</u>	<u>282,066</u>	<u>-</u>	<u>282,066</u>
	<u>\$ -</u>	<u>\$ 290,389</u>	<u>\$ -</u>	<u>\$ 290,389</u>

Note: Including operation bonds.

- (b) The methods and assumptions the Group used to measure fair value are as follows:
- i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed stocks</u>	<u>Beneficiary certificates</u>	<u>Open-end fund</u>	<u>Exchange traded funds</u>
Market quoted price	Closing price	Closing price	Net asset value	Closing price
 - ii. Except for financial instruments with active markets, domestic investments of the Company's subsidiary, Hotai Insurance Co., Ltd., take the quoted price of Taipei Exchange while foreign investments take the quoted price of the Swiss Exchange's financial information system as the fair value aside from infrastructure fund and real estate private placement fund that are assessed by balance sheet approach. The fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with

similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

- iii. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts and foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market. Forward foreign currency contracts are generally assessed using forward exchange rates.
- iv. The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. The following chart is the movement of Level 3 for the nine months ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2022</u>
	<u>Beneficiary</u>	<u>Equity securities</u>
	<u>certificates</u>	<u>certificates</u>
At January 1	\$ 437,495	\$ 366,770
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	32,007	-
Recorded as gains on financial assets at fair value through profit or loss	-	76,089
Acquired during the period	<u>73,507</u>	<u>-</u>
At September 30	<u>\$ 543,009</u>	<u>\$ 442,859</u>
	<u>2021</u>	<u>2021</u>
	<u>Beneficiary</u>	<u>Equity securities</u>
	<u>certificates</u>	<u>certificates</u>
At January 1	\$ 383,543	\$ 346,148
Recorded as unrealized gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	29,592
Recorded as gains on financial assets at fair value through profit or loss	11,308	-
Acquired during the period	<u>32,586</u>	<u>-</u>
At September 30	<u>\$ 427,437</u>	<u>\$ 375,740</u>

F. For the nine months ended September 30, 2022 and 2021, there was no transfer between Level 1, Level 2, and Level 3.

G. Treasury department is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the

exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at September 30, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 442,859	Asset liability method, Market comparable companies method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.
Infrastructure fund and real estate private placement fund	543,009	Net assets value	Not applicable	Not applicable	Not applicable

	<u>Fair value at December 31, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 366,770	Asset liability method, Market comparable companies method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.
Infrastructure fund and real estate private placement fund	437,495	Net assets value	Not applicable	Not applicable	Not applicable

	<u>Fair value at September 30, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 375,740	Asset liability method, Market comparable companies method	Net asset value, price to earnings ratio multiple	-	The higher the multiple and control premium, the higher the fair value.
Infrastructure fund and real estate private placement fund	427,437	Net assets value	Not applicable	Not applicable	Not applicable

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value, and regards its fair value measurements as reasonable. However, the use of different valuation models or assumptions may result in different measurements. If assumptions from financial assets and liabilities categorized within Level 3 had increased or decreased by 1%, other comprehensive income would not have been significantly impacted as of September 30, 2022, December 31, 2021 and September 30, 2021.

(4) Other matters

The Group's operation was not affected by the Covid-19 outbreak and various preventive measures which were imposed by the government.

(5) The nature and range of contract risk governance of the subsidiary, Hotai Insurance Co., Ltd.

A. The objectives, policies, procedures and methods of risk governance on insurance contracts:

(a) Risk Governance Structure and Responsibilities

The subsidiary, Hotai Insurance Co., Ltd. has set up the Risk & Control Committee (RCC) under the Board of Directors as well as an independent risk management department in order to effectively plan, advocate and monitor risk management matters.

The subsidiary's goals in managing its risks are to:

- i. Protect the subsidiary's capital by not taking risks beyond the subsidiary's risk tolerance.
- ii. Enhance value creation and achieve an optimal risk-return profile by efficiently deploying capital.
- iii. Support decision making processes by providing consistent, reliable and timely risk information.
- iv. Protect the subsidiary's brand and reputation by fostering the subsidiary's core values and promoting a sound culture of risk awareness.

The "three lines of defense" approach runs through the subsidiary's risk governance structure, so that risks are clearly identified, owned, and managed:

1st line: Business management takes risks and is responsible for day-to-day risk management.

2nd line: The risk management function oversees the overall risk management framework, and helps manage risk. Other governance and control functions (e.g. legal and compliance, finance, technical underwriting review, claims QA) are responsible for and help control specific types of risks.

3rd line: The audit function provides independent assurance regarding the effectiveness of the ERM framework and risk controls.

In accordance with "Risk Management Practice Rules for Insurance Industry", the subsidiary has established "Risk Management Policy" which is approved by the subsidiary's Board of Directors, to establish its corporate risk management framework.

(b) Risk Reporting and Measurement System

i. Risk Reporting

Each department branch periodically delivers risk information to the risk management department for monitoring purpose. The mitigating actions and response plans are required while breaching the risk-type limits.

Risk management department consolidates risk information, reviews and follows up improvement actions. In the quarterly RCC meeting, Integrated Assessment and Assurance Reporting will be presented in accordance with the meeting agenda. After the CEO signs off quarterly RCC meeting minutes as a formal risk report, the report will be

submitted to RCC and the Board of Directors for monitoring and verifying the soundness of the risk management framework.

ii. Measurement System

Pursuant to the regulatory authority's requirement, the subsidiary has performed sensitivity analysis, scenario analysis and stress test to understand the related risks which have quantitative influence on the subsidiary's performance.

(c) Insurance Risk and Underwriting Guidelines

Insurance risk management includes product development, pricing, underwriting, reinsurance, natural/man-made catastrophes, claims and reserve related risks. All of these risks are managed by the front-line responsible functions, such as underwriting, claims, technical management, product development and actuarial departments. According to the "Risk Management Policy," related functional policies and procedures, and local regulations, the Risk management framework and mechanism are designed and embedded into day-to-day operations, which includes authorization, operational process and risk-type limit monitoring, etc. The Risk Policy adherence self-assessment checklist and Risk Management Practice Rules for Insurance Industry checklist should be filled in by risk-type owners annually, in order to comply with the requirements of "Risk Management Policy" and "Risk Management Practice Rules for Insurance Industry".

(d) Total Risk Profiling and Insurance Risk Management

The subsidiary adopts the Total Risk Profiling (TRP) methodology to identify, assess, response and document its overall risks (incl. Business and Strategic Risk, Insurance Risk, Operational Risk, ALM / Investment / Credit Risk, and Financial Reporting Risk that can have an impact on the sustainability of Earnings, Capital and Reputation) systematically across the subsidiary. The risk management department coordinates the TRP efforts and provides quality assurance with all departments within their areas of responsibilities. The implementation status of improvement actions will be reviewed quarterly according to the fall TRP results in the previous year. The insurance risks (incl. product development, pricing, underwriting, reinsurance, natural / man-made catastrophes, claims, reserve and so on) are covered in the TRP process as well.

(e) Concentration Exposures on Insurance Risk

The subsidiary, Hotai Insurance Co., Ltd. has established the related risk control mechanism and developed risk management plan to run retention and ceded/assumed businesses based on reinsurance capacity by following the "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms". The net retention limit per risk for each line of business is listed below:

<u>Line of Business</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Fire insurance	\$ 50,000	\$ 50,000	\$ 50,000
Fire & A.P. insurance	50,000	50,000	50,000
Long-term residential fire insurance	50,000	50,000	50,000
Residential fire insurance	50,000	50,000	50,000
Marine cargo insurance	20,000	20,000	20,000
Inland marine insurance	20,000	20,000	20,000
Automobile insurance	Nil	Nil	Nil
General liability insurance	50,000	50,000	50,000
Engineering insurance	50,000	50,000	50,000
Fidelity insurance	60,000	60,000	60,000
Other property insurance	50,000	50,000	50,000
Personal accident insurance	50,000	50,000	50,000

In addition to control the own-retention limit per risk/catastrophe for confining risk exposures, the subsidiary, in accordance with the characteristics of each line of insurance business and to align with operational strategies, arranges reinsurance contracts or arranges facultative reinsurance to appropriately spread the subsidiary's endured risk. For the credit risk of main reinsurers, the subsidiary considers their credit rating, financial status, and location to ensure that the subsidiary has a stable and appropriate reinsurance coverage.

(f) Asset/Liability Management

The Asset/Liability Management Investment Committee (ALMIC) meeting is held on a quarterly basis to monitor the subsidiary's asset/liability matching duration and evaluate liquidity risk by ensuring the fulfillment of due liabilities and future claims provisions. In response to the indemnity for severe and special infectious pneumonia related to epidemic prevention insurance products, in addition to establishing the related financial liquidity contingency plans, the subsidiary, Hotai Insurance Co., Ltd., also requested the Board of Directors to authorize the Chairman of the company to handle the bank financing.

(g) Capital Adequacy Management

In accordance with the "Regulations Governing Capital Adequacy of Insurance Companies", the subsidiary has established the capital solvency management mechanism, which includes a risk-based capital ratio review on a regular basis. Also, the RBC Ratio Report is prepared and filed semiannually to monitor and implement regulatory capital adequacy requirements. Currently, the subsidiary's RBC ratio is lower than the requirement of 200% because of the selling of severe and special infectious pneumonia related to epidemic prevention insurance products, and they will optimize the situation in accordance with the 2022 epidemic prevention insurance financial improvement plan. Please refer to Note 12(13) for further details.

(6) Credit risk, liquidity risk and market risk of insurance contract

The insurance contracts of the subsidiary, Hotai Insurance Co., Ltd. are all short-term policies and the reserves are not discounted; therefore, there is no significant impact in the interest rate risk.

A. Credit risk

(a) Credit risk refers to the risk of financial loss to the Company arising from default by the

clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable and other financial assets based on the agreed terms, and the contract cash flows of debt instruments stated at fair value through other comprehensive income.

- (b) Except for using historical loss rate as a basis and forecastable macroeconomic information to estimate expected credit loss in line with IAS, the subsidiary, Hotai Insurance Co., Ltd. also provisioned allowance for loss in line with “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts” and related procedures.
- (c) The subsidiary, Hotai Insurance Co., Ltd., adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk since initial recognition:
- i. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
 - ii. For bonds or banks that issue non-short-term certificates of deposit, if any external credit rating agency rates these bonds and banks as investment grade, the credit risk of these financial assets is low. However, if the rating of these bonds and banks are degraded to non-investment grade, the credit risk of these financial assets was significantly increased.
- (d) The subsidiary, Hotai Insurance Co., Ltd., adopts IFRS 9 to presume the following assumptions that financial assets have been impaired:
- i. If the contract payments were past due over 90 days based on the terms, there has been an impairment and default on that instrument since initial recognition.
 - ii. If companies that issue bonds or banks that issue non-short-term certificates of deposit experience significant financial difficulties and enter into bankruptcy or financial reorganization, the credit of the financial assets would be considered impaired.
 - iii. If the Company actively clears these financial assets in line with the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”, and the financial assets could no longer be recovered, the financial assets should be written-off after it is reported to the Board of Directors. However, the Company will continue executing the recourse procedures to secure their rights.
- (e) As of September 30, 2022, December 31, 2021 and September 30, 2021, the subsidiary, Hotai Insurance Co., Ltd., included receivables (excluding interest receivables from bonds and interest receivables from time deposits) and other assets (excluding operating bonds and restricted time deposits) into the group whose impairment should be assessed and the expected loss rates are as follows:

	September 30, 2022		
	12 months	Significant increase in credit risk	Impairment of credit
	Not past due or not over 30 days	Over 30 days	Over 90 days
Expected loss rate	0%	0%	100%
Total book value	\$ 1,272,052	\$ -	\$ 160
Loss allowance	9,000	-	160

	December 31, 2021		
	<u>12 months</u>	<u>Significant increase in credit risk</u>	<u>Impairment of credit</u>
	Not past due or not over 30 days	Over 30 days	Over 90 days
	0%	0%	100%
Expected loss rate	0%	0%	100%
Total book value	\$ 1,019,368	\$ -	\$ 160
Loss allowance	9,000	-	160

	September 30, 2021		
	<u>12 months</u>	<u>Significant increase in credit risk</u>	<u>Impairment of credit</u>
	Not past due or not over 30 days	Over 30 days	Over 90 days
	0%	0%	100%
Expected loss rate	0%	0%	100%
Total book value	\$ 1,008,996	\$ -	\$ 160
Loss allowance	-	-	160

The provision of allowance for loss referred to the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”. For the nine months ended September 30, 2022 and 2021, the movement of allowance for loss are as follows:

	2022				
	<u>12 months</u>	<u>Significant increase in credit risk</u>	<u>Impairment of credit</u>	<u>Amount of provision in line with the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”</u>	<u>Total</u>
At January 1	\$ -	\$ -	\$ 160	\$ 26,115	\$ 26,275
Provisions during the period	-	-	-	7,501	7,501
At September 30	\$ -	\$ -	\$ 160	\$ 33,616	\$ 33,776

	2021				
	<u>12 months</u>	<u>Significant increase in credit risk</u>	<u>Impairment of credit</u>	<u>Amount of provision in line with the “Regulation of the Procedure for Asset Assessment and Collection of Overdue Debts”</u>	<u>Total</u>
At January 1	\$ -	\$ -	\$ 160	\$ 12,712	\$ 12,872
Provisions during the period	-	-	-	5,210	5,210
At September 30	\$ -	\$ -	\$ 160	\$ 17,922	\$ 18,082

As of September 30, 2022, December 31, 2021 and September 30, 2021, the allowance for loss of abovementioned financial assets was \$33,776, 26,275 and \$18,082, respectively,

and the maximum exposure to credit risk was \$1,238,436, \$993,253 and \$991,074, respectively.

- (f) As of September 30, 2022, December 31, 2021 and September 30, 2021, the subsidiary, Hotai Insurance Co., Ltd., has financial assets at fair value through other comprehensive income (including operating bonds), interest receivables from bonds, non-short term time deposits (excluding valuation adjustment) and interest receivables from time deposits amounting to \$1,972,743, \$3,639,966 and \$3,604,099, respectively, and are all classified as investment grade. The external credit risk rating are as follows:

<u>Credit risk rating</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
tw AAA	\$ 499,894	\$ 877,651	\$ 889,201
tw AA+	222,590	433,262	432,976
tw AA	140,704	495,366	496,865
tw AA-	533,656	922,900	871,071
tw A+	221,787	336,112	333,941
tw A	372,552	470,990	490,095
tw A-	<u>1,560</u>	<u>103,685</u>	<u>89,950</u>
	<u>\$ 1,992,743</u>	<u>\$ 3,639,966</u>	<u>\$ 3,604,099</u>

The probable expected loss rates of abovementioned financial assets within 12 months were 0%~0.06%, 0%~0.07% and 0%~0.07%, respectively, the amounts of allowance for loss were \$563, \$592 and \$590 respectively, and the maximum exposure amounts were \$1,992,180, \$3,639,374 and \$3,603,509, respectively. Aforementioned amounts of allowance for loss were using the forecastability of Standard & Poor's research report to adjust historical and timely information to assess the expected loss rate. For the nine months ended September 30, 2022 and 2021, the movements of allowance for loss are as follows:

	<u>2022</u>	<u>2021</u>
At January 1	\$ 592	\$ 581
Provisions (amounts reversed) during the period	(29)	9
At September 30	<u>\$ 563</u>	<u>\$ 590</u>

- (g) Reinsurance Credit Risk

The counterparties of the subsidiary, Hotai Insurance Co., Ltd. in conducting reinsurance transactions are companies with good credit ratings. Also, the subsidiary, Hotai Insurance Co., Ltd. transacts with numerous counterparties to diversify credit risk. The possibility of expected defaults is remote. In addition, the reinsurer list that the subsidiaries transacts with has been reviewed and approved by the subsidiary, Hotai Insurance Co., Ltd., and all are qualified reinsurance ceded companies. Policy underwriting units also non-routinely check on the newest approved reinsurance list. For the nine months ended September 30, 2022 and 2021, the reinsurance companies reinsurance premiums ceded and credit rating levels are as follows (if the reinsurance companies' reinsurance transactions is through reinsurance brokers, then the credit rating levels as follows is based on the reinsurance broker):

Nine months ended September 30, 2022

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA	\$ 377,593	19.83
AA-	68,443	3.59
A+	753,616	39.58
A	77,881	4.09
A-	7,238	0.38
BBB+	41,854	2.20
Unrated	577,403	30.33
Total	\$ 1,904,028	100.00

Nine months ended September 30, 2021

Credit rating levels (S&P)	Reinsurance premiums ceded	Percentage
AA+	\$ 358	0.02
AA	359,231	22.51
AA-	52,434	3.28
A+	679,786	42.60
A	94,913	5.95
A-	10,344	0.65
BBB+	14,676	0.92
Unrated	384,159	24.07
Total	\$ 1,595,901	100.00

Note: Compulsory automobile insurance and residential earthquake insurance are excluded.

B. Liquidity risk management

Liquidity risk is the risk that the subsidiary, Hotai Insurance Co., Ltd. may not have sufficient liquid financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. The subsidiary is not exposed to liquidity risk as there is no need for the subsidiary to hold adequate current assets to fulfill the financial liabilities as they become due or use higher costs to settle relevant financial liabilities.

(a) Cash flow control and hedging strategy

With the following controls and hedge strategies, the working capital of the subsidiary, Hotai Insurance Co., Ltd. is sufficient to meet insurance services and operational needs, and no liquidity risk is expected.

- i. The investment in debt instruments and equity instruments are mostly traded in the active market and can be expected to be disposed at the price close to fair value.
- ii. To make sure liquidity fund fulfill the liabilities when they fall due or capital requirements, the subsidiary manages liquidity through bank deposits and money market instruments.
- iii. To make sure the effectiveness of liquidity risk management, cash flow analysis is employed, the subsidiary generates yearly and monthly net cash flow forecast according to annual plan of operating income and expenses. Based on the cash flow forecast, the subsidiary periodically monitors the actual income and expenses to execute cash management activities.

(b) Liquidity risk management

To effectively manage liquidity risk, except for holding a considerable portion of current assets, the subsidiary also limits the proportion of investment amount and reviews current assets and liabilities on a regular basis to ensure that above requirement is fully supported.

The table below analyses the insurance liabilities and non-derivative financial liabilities of the subsidiary, Hotai Insurance Co., Ltd., based on the remaining period at the balance sheet date to the contractual maturity date.

i. Non-derivative financial liabilities

<u>September 30, 2022</u>	<u>Contractual undiscounted cash flows</u>			
	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Between 5 and 10 years</u>	<u>Over 10 years</u>
Insurance liabilities	\$24,797,216	\$ 2,647,454	\$ 204,574	\$ 1,616,982
Payables	1,496,136	-	-	-
Deposits-in	2,764	1,889	-	-
Lease liabilities	56,745	34,582	-	-

<u>December 31, 2021</u>	<u>Contractual undiscounted cash flows</u>			
	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Between 5 and 10 years</u>	<u>Over 10 years</u>
Insurance liabilities	\$ 8,902,416	\$ 2,350,482	\$ 183,219	\$ 1,922,258
Payables	1,445,680	-	-	-
Deposits-in	2,125	2,186	-	-
Lease liabilities	54,789	65,277	-	-

<u>September 30, 2021</u>	<u>Contractual undiscounted cash flows</u>			
	<u>Less than 1 year</u>	<u>Between 1 and 5 years</u>	<u>Between 5 and 10 years</u>	<u>Over 10 years</u>
Insurance liabilities	\$ 8,438,174	\$ 2,350,432	\$ 212,410	\$ 1,909,909
Payables	1,159,636	-	-	-
Deposits-in	227	4,072	-	-
Lease liabilities	56,232	78,313	-	-

ii. Derivatives

On September 30, 2022, the subsidiary, Hotai Insurance Co., Ltd., has derivative instruments at net settlement whose duration are all within 3 months from reporting period-end to the due date of contract.

C. Market risk

Market risk refers to the risk of changes in values or cash flows of accounts on the subsidiary, Hotai Insurance Co., Ltd.'s financial statements due to changes in financial markets. Major risk factors are as follows:

- Equity market prices
- Interest rate and credit spreads
- Currency exchange rates

The subsidiary, Hotai Insurance Co., Ltd., defines its risk tolerance and regularly measures and reviews this risk by adoption of "assets allocation strategy". In compliance with the subsidiary's "Risk Management Policy", the subsidiary's "Investment Policy Statement", and regulations of the competent authority, the subsidiary imposes investment limit on individual

investment targets, restricts investments in assets with low liquidity, and manages the difference between the interest rate sensitive assets and the interest rate sensitive liabilities. To ensure effective market risk management, the subsidiary, Hotai Insurance Co., Ltd. also implements relevant stress tests in compliance with requirement by the competent authority. The table below further describes the subsidiary, Hotai Insurance Co., Ltd.'s current risk management mechanism in terms of individual risk factor:

(a) Price risk

The price risk is arising from the uncertainty of the prices of beneficiary certificates. However, the subsidiary Hotai Insurance Co., Ltd. has appropriately spread the price risk through diversified portfolio to decrease the risk of investments centralized in any specific industry or issuance institution.

With other conditions unchanged, the reasonable sensitivity analysis on stock price change is shown below:

	<u>September 30, 2022</u>		
	<u>Change of variables</u>		<u>Change in other comprehensive income</u>
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$ 240,901
	Decrease in price	10%	(240,901)
	<u>September 30, 2021</u>		
	<u>Change of variables</u>		<u>Change in other comprehensive Income</u>
Listed stocks, ETF and domestic and foreign beneficiary certificates	Increase in price	10%	\$ 523,628
	Decrease in price	10%	(523,628)

(b) Interest rate risk

Interest rate risk refers to the risk from market interest rate change which results in change of fair value of financial instruments. The major investment for the subsidiary, Hotai Insurance Co., Ltd., is fixed interest rate debt investment. Increase in interest rate will result in decrease in fair value. However, due to focus on long-term stability and predictable income, the short-term interest rate change would have insignificant impact to the subsidiary. Thus, no major interest rate risk is expected.

With other conditions unchanged, the reasonable sensitivity analysis on interest rate change is shown below:

	<u>September 30, 2022</u>		
	<u>Change of variables</u>		<u>Change in fair value</u>
Fixed-income investments	Increase in interest rate	100 basis point	(\$ 54,376)
	Decrease in interest rate	100 basis point	54,376

	<u>September 30, 2021</u>		
	<u>Change of variables</u>		<u>Change in fair value</u>
Fixed-income investments	Increase in interest rate	100 basis point	(\$ 96,716)
	Decrease in interest rate	100 basis point	96,716

(c) Foreign exchange risk

Foreign exchange risk refers to the risk from fluctuations in fair value of assets or future cash flow due to foreign exchange volatility.

The major foreign exchange risk of the subsidiary, Hotai Insurance Co., Ltd., results from US dollar position. The US dollar foreign exchange rate is shown below:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Foreign exchange rate	31.82	27.66	27.85

The US dollar assets and liabilities are shown as below:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
USD Assets	USD 42,929 thousand	USD 48,984 thousand	USD 47,984 thousand
USD Liabilities	USD 391 thousand	USD 890 thousand	USD 635 thousand

Foreign exchange risk will affect the subsidiary, Hotai Insurance Co., Ltd.'s foreign currency denominated assets and liabilities. All foreign currency denominated investment assets held by the subsidiary has been commissioned by investors for hedging, using the foreign exchange swap contracts to effectively control the risk.

Under the circumstance that other variables remain unchanged and after deducting the nominal principal of hedge items, the sensitivity analysis for reasonable fluctuations in exchange rates is as follows:

	<u>September 30, 2022</u>	
	<u>Change on variable</u>	<u>Impact on net (loss) income</u>
USD assets, net	Appreciate 5% against NTD	(\$ 35,542)
	Depreciate 5% against NTD	35,542
	<u>September 30, 2021</u>	
	<u>Change on variable</u>	<u>Impact on net (loss) income</u>
USD assets, net	Appreciate 5% against NTD	(\$ 29,908)
	Depreciate 5% against NTD	29,908

(7) Insurance risk information

A. Insurance risk concentration

Insurance businesses undertaken by the subsidiary, Hotai Insurance Co., Ltd., comprise fire insurance, engineering insurance, accident insurance, transportation insurance, automobile insurance, and personal accident insurance.

Among them, as the subject matters of transportation insurance, automobile insurance, and

personal accident insurance have mobility, the level of risk is deemed relatively dispersed. The subject matter of accident insurance has legality, and the risks in relation to accident insurance and aforesaid insurances are all dispersed through coverage limit control.

Besides, as the subject matters of fire insurance and engineering insurance do not have mobility, the level of risk is deemed relatively concentrated. The subsidiary, Hotai Insurance Co., Ltd., disperses the risks mainly through reinsurance ceding. For the nine months ended September 30, 2022 and 2021, the insurance risk concentration degree of premiums income and self-retained premiums from effective insurance contracts of fire insurance and engineering insurance are listed below:

<u>Line of Business</u>	<u>Nine months ended September 30, 2022</u>	
	<u>Premiums revenue</u>	<u>Retention premiums</u>
Fire insurance	\$ 1,373,125	\$ 524,782
Engineering insurance	178,436	39,962

<u>Line of Business</u>	<u>Nine months ended September 30, 2021</u>	
	<u>Premiums revenue</u>	<u>Retention premiums</u>
Fire insurance	\$ 1,222,166	\$ 486,922
Engineering insurance	96,156	30,024

The subsidiary, Hotai Insurance Co., Ltd., has established catastrophe claims system to record losses of various line of insurance businesses and risks assumed by the subsidiary, including earthquake, typhoon, fire accident, air crash, and man-made catastrophes. The system also provides information for reinsurance brokers to implement catastrophe measurement models and perform analysis on expected occurrence years such as 10 years, 50 years, 100 years, and 250 years. The model covers fire insurance, engineering insurance, marine insurance, automobile insurance, as well as earthquake and typhoon risks. The model provides monthly report of cumulative risk assessment for the purpose of monitoring the risk. With strict reinsurance strategies and arrangements, as well as system monitoring cumulative risk, the subsidiary, Hotai Insurance Co., Ltd., can appropriately and effectively prevent high risk concentration to achieve a goal of risk dispersion.

B. Analysis of insurance risk sensitivity

The subsidiary, Hotai Insurance Co., Ltd., estimates claims reserve fund mainly through a series of development modules and various estimated loss ratios. With concern of unexpected factors, such as external environmental change (change of regulation or judicial order), trend or different ways of claims paid, these could change the loss development and expected loss ratio and therefore influence the estimated result of claims reserve. Therefore, the subsidiary, Hotai Insurance Co., Ltd., conducted a sensitivity test for the nine months ended September 30, 2022 and 2021 and the result is shown below:

<u>Line of Business</u>	Nine months ended September 30, 2022			
	<u>Expected loss ratio increased by 5%</u>		<u>Expected loss ratio decreased by 5%</u>	
	<u>Increase in claim reserve before reinsurance</u>	<u>Increase in claim reserve after reinsurance</u>	<u>Decrease in claim reserve before reinsurance</u>	<u>Decrease in claim reserve after reinsurance</u>
Automobile property damage insurance	\$ 160,377	\$ 138,204	\$ 160,377	\$ 138,204
Automobile third party liability insurance	85,645	75,791	85,645	75,791
Personal property insurance	2,657	2,357	2,657	2,357
Commercial property insurance	54,374	19,938	54,374	19,938
Liability insurance	47,546	37,203	47,546	37,203
Marine cargo insurance	10,157	7,336	10,157	7,336
Engineering insurance	8,148	2,105	8,148	2,105
Personal accident insurance	40,771	39,594	40,771	39,594
Health insurance	18,655	18,441	18,655	18,441
Foreign inward reinsurance	757	414	757	414

<u>Line of Business</u>	Nine months ended September 30, 2021			
	<u>Expected loss ratio increased by 5%</u>		<u>Expected loss ratio decreased by 5%</u>	
	<u>Increase in claim reserve before reinsurance</u>	<u>Increase in claim reserve after reinsurance</u>	<u>Decrease in claim reserve before reinsurance</u>	<u>Decrease in claim reserve after reinsurance</u>
Automobile property damage insurance	\$ 152,802	\$ 132,012	\$ 152,802	\$ 132,012
Automobile third party liability insurance	73,760	65,691	73,760	65,691
Personal property insurance	3,221	2,528	3,221	2,528
Commercial property insurance	46,595	17,746	46,595	17,746
Liability insurance	36,529	28,562	36,529	28,562
Marine cargo insurance	8,535	6,473	8,535	6,473
Engineering insurance	5,343	1,570	5,343	1,570
Personal accident insurance	39,687	38,442	39,687	38,442
Health insurance	7,076	6,397	7,076	6,397
Foreign inward reinsurance	228	215	228	215

Sensitivity test determines the impact on profit and loss based on before-reinsurance and after-reinsurance calculation from the increase or decrease by 5% in the expected loss ratio for the nine months ended September 30, 2022 and 2021.

C. Loss development pattern

As of September 30, 2022, December 31, 2021 and September 30, 2021, the loss development pattern of the subsidiary, Hotai Insurance Co., Ltd., are as follows :

(a) Direct business

Unit: NTD

September 30, 2022	Accident Year					Total
	≤2018	2019	2020	2021	Nine months ended September 30, 2022	
<u>Development Year</u>						
End of underwriting year	\$27,880,901	\$ 3,732,983	\$ 4,699,953	\$ 5,811,398	\$ 27,617,618	
One year after underwriting year	27,532,055	3,730,672	4,769,156	5,808,185	-	
Two years after underwriting year	27,247,411	3,690,308	4,617,174	-	-	
Three years after underwriting year	27,111,389	3,548,544	-	-	-	
Four years after underwriting year	26,876,445	-	-	-	-	
Estimated ultimate losses	26,876,445	3,548,544	4,617,174	5,808,185	27,617,618	
Paid losses	(26,362,363)	(3,195,418)	(3,981,639)	(4,358,003)	(12,380,494)	
Total reserve	<u>\$ 514,082</u>	<u>\$ 353,126</u>	<u>\$ 635,535</u>	<u>\$ 1,450,182</u>	<u>\$ 15,237,124</u>	\$ 18,190,049
Adjustment item (Note)						618,853
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						<u>\$ 18,808,902</u>

Unit: NTD

December 31, 2021	Accident Year					Total
	≤2017	2018	2019	2020	2021	
<u>Development Year</u>						
End of underwriting year	\$25,453,700	\$ 2,584,648	\$ 3,732,983	\$ 4,699,953	\$ 5,811,398	
One year after underwriting year	25,296,252	2,563,399	3,730,672	4,769,156	-	
Two years after underwriting year	24,968,656	2,510,423	3,690,307	-	-	
Three years after underwriting year	24,736,988	2,427,157	-	-	-	
Four years after underwriting year	24,684,232	-	-	-	-	
Estimated ultimate losses	24,684,232	2,427,157	3,690,307	4,769,156	5,811,398	
Paid losses	(24,115,950)	(2,207,836)	(3,155,441)	(3,937,503)	(3,109,276)	
Total reserve	<u>\$ 568,282</u>	<u>\$ 219,321</u>	<u>\$ 534,866</u>	<u>\$ 831,653</u>	<u>\$ 2,702,122</u>	\$ 4,856,244
Adjustment item (Note)						453,326
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						<u>\$ 5,309,570</u>

September 30, 2021	Accident Year					Total
	≤2017	2018	2019	2020	Nine months ended September 30, 2021	
<u>Development Year</u>						
End of underwriting year	\$25,453,700	\$ 2,584,648	\$ 3,732,983	\$ 4,699,953	\$ 4,421,592	
One year after underwriting year	25,296,252	2,563,399	3,730,672	4,780,927	-	
Two years after underwriting year	24,968,656	2,510,423	3,691,470	-	-	
Three years after underwriting year	24,736,988	2,470,190	-	-	-	
Four years after underwriting year	24,692,282	-	-	-	-	
Estimated ultimate losses	24,692,282	2,470,190	3,691,470	4,780,927	4,421,592	
Paid losses	(24,114,019)	(2,207,121)	(3,146,410)	(3,889,409)	(2,056,926)	
Total reserve	<u>\$ 578,263</u>	<u>\$ 263,069</u>	<u>\$ 545,060</u>	<u>\$ 891,518</u>	<u>\$ 2,364,666</u>	\$ 4,642,576
Adjustment item (Note)						463,238
Realized amount in balance sheet (Shown as claims reserve for insurance liabilities)						<u>\$ 5,105,814</u>

Note: Adjustment items include estimated claims for earthquake insurance, compulsory automobile insurance, nuclear insurance, and the total sum of non-distributable claim reserve fund.

(b) Retention business

Unit: NTD

September 30, 2022	Accident Year					Total
	≤2018	2019	2020	2021	Nine months ended September 30, 2022	
<u>Development Year</u>						
End of underwriting year	\$ 18,897,808	\$ 3,215,297	\$ 4,058,783	\$ 4,559,471	\$ 26,284,268	
One year after underwriting year	18,702,131	3,224,195	4,130,722	4,557,908	-	
Two years after underwriting year	18,465,817	3,193,907	3,999,554	-	-	
Three years after underwriting year	18,413,564	3,068,315	-	-	-	
Four years after underwriting year	18,284,726	-	-	-	-	
Estimated ultimate losses	18,284,726	3,068,315	3,999,554	4,557,908	26,284,268	
Paid losses	(17,913,010)	(2,856,748)	(3,550,643)	(3,763,924)	(12,026,237)	
Total reserve	<u>\$ 371,716</u>	<u>\$ 211,567</u>	<u>\$ 448,911</u>	<u>\$ 793,984</u>	<u>\$ 14,258,031</u>	\$ 16,084,209
Adjustment item (Note)						479,361
						<u>\$ 16,563,570</u>

Unit: NTD

December 31, 2021	Accident Year					Total
	≤2017	2018	2019	2020	2021	
<u>Development Year</u>						
End of underwriting year	\$ 16,695,227	\$ 2,301,559	\$ 3,215,297	\$ 4,058,783	\$ 4,559,471	
One year after underwriting year	16,596,248	2,293,058	3,224,195	4,130,722	-	
Two years after underwriting year	16,409,073	2,237,166	3,193,907	-	-	
Three years after underwriting year	16,228,651	2,167,503	-	-	-	
Four years after underwriting year	16,246,061	-	-	-	-	
Estimated ultimate losses	16,246,061	2,167,503	3,193,907	4,130,722	4,559,471	
Paid losses	(15,882,867)	(2,006,557)	(2,820,197)	(3,517,360)	(2,722,061)	
Total reserve	<u>\$ 363,194</u>	<u>\$ 160,946</u>	<u>\$ 373,710</u>	<u>\$ 613,362</u>	<u>\$ 1,837,410</u>	\$ 3,348,622
Adjustment item (Note)						299,102
						<u>\$ 3,647,724</u>

September 30, 2021	Accident Year					Total
	≤2017	2018	2019	2020	Nine months ended September 30, 2021	
<u>Development Year</u>						
End of underwriting year	\$ 16,695,227	\$ 2,301,559	\$ 3,215,297	\$ 4,058,783	\$ 3,423,447	
One year after underwriting year	16,596,248	2,293,058	3,224,195	4,142,648	-	
Two years after underwriting year	16,409,073	2,237,166	3,187,125	-	-	
Three years after underwriting year	16,228,651	2,199,402	-	-	-	
Four years after underwriting year	16,200,655	-	-	-	-	
Estimated ultimate losses	16,200,655	2,199,402	3,187,125	4,142,648	3,423,447	
Paid losses	(15,880,990)	(2,006,817)	(2,811,316)	(3,476,503)	(1,794,956)	
Total reserve	<u>\$ 319,665</u>	<u>\$ 192,585</u>	<u>\$ 375,809</u>	<u>\$ 666,145</u>	<u>\$ 1,628,491</u>	\$ 3,182,695
Adjustment item (Note)						304,958
						<u>\$ 3,487,653</u>

Note: Adjustment items include estimated claims for earthquake insurance, compulsory automobile insurance, nuclear insurance, and the total sum of non-distributable claim reserve fund.

Based on the table above, the estimated cumulative loss amount of each accident year is estimated based on the current available information, however, the actual amounts may be

deviated from the estimation due to the loss development in the following years.

- (8) The subsidiary-Hotai Insurance Co., Ltd. assets and liabilities recoverable or payable within or over 12 months after the balance sheet date are as follows:

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>September 30, 2022</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 3,058,376	\$ 3,058,376	\$ -
Receivables	1,161,658	1,161,658	-
Current income tax assets	4,571	-	4,571
Assets held for sale	15,443	15,443	-
Financial assets at fair value through profit or loss	2,912,152	2,409,315	502,837
Financial assets at fair value through other comprehensive income	776,156	241,713	534,443
Other financial assets	1,603,729	1,598,774	4,955
Right-of-use assets	89,166	-	89,166
Investment property	573,185	-	573,185
Reinsurance contract assets	3,951,576	3,005,269	946,307
Property and equipment	3,689,003	-	3,689,003
Intangible assets	115,045	-	115,045
Deferred income tax assets	2,055,468	-	2,055,468
Other assets	771,616	493,400	278,216
<u>Liabilities</u>			
Short-term loans	\$ 5,000,000	\$ 5,000,000	\$ -
Payables	1,496,136	1,496,136	-
Financial liabilities at fair value through profit or loss	23,783	23,783	-
Insurance liabilities	29,266,226	24,797,216	4,469,010
Lease liabilities	90,567	56,745	33,822
Deferred income tax liabilities	154,425	-	154,425
Other liabilities	144,569	142,680	1,889

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>December 31, 2021</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 4,601,617	\$ 4,601,617	\$ -
Receivables	918,846	918,846	-
Financial assets at fair value through profit or loss	5,827,968	5,292,250	535,718
Financial assets at fair value through other comprehensive income	1,615,489	322,124	1,293,365
Other financial assets	1,679,537	1,569,219	110,318
Right-of-use assets	118,045	-	118,045
Investment property	575,527	-	575,527
Reinsurance contract assets	3,125,902	2,396,571	729,331
Property and equipment	3,173,583	-	3,173,583
Intangible assets	135,332	-	135,332
Other assets	650,943	220,898	430,045
<u>Liabilities</u>			
Payables	\$ 1,445,680	\$ 1,445,680	\$ -
Current income tax liabilities	95,167	95,167	-
Financial liabilities at fair value through profit or loss	58	58	-
Insurance liabilities	13,358,375	8,902,416	4,455,959
Lease liabilities	118,752	54,789	63,963
Other liabilities	97,410	95,224	2,186
	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>September 30, 2021</u>			
<u>Assets</u>			
Cash and cash equivalents	\$ 3,554,713	\$ 3,554,713	\$ -
Receivables	907,756	907,756	-
Financial assets at fair value through profit or loss	5,775,331	5,237,276	538,055
Financial assets at fair value through other comprehensive income	1,628,267	82,194	1,546,073
Other financial assets	1,645,137	1,520,708	124,429
Right-of-use assets	132,256	-	132,256
Investment property	576,407	-	576,407
Reinsurance contract assets	3,020,268	2,146,075	874,193
Property and equipment	3,107,224	-	3,107,224
Intangible assets	147,798	-	147,798
Other assets	656,173	207,220	448,953

	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Liabilities</u>			
Payables	\$ 1,159,636	\$ 1,159,636	\$ -
Current income tax liabilities	63,159	63,159	-
Financial liabilities at fair value through profit or loss	1,135	1,135	-
Insurance liabilities	12,910,925	8,438,174	4,472,751
Lease liabilities	132,902	56,232	76,670
Other liabilities	72,074	68,002	4,072

(9) The subsidiary-Hotai Insurance Co., Ltd.'s related information on commissioned investments

Beginning on December 12, 2018, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with Uni-President Assets Management Corp. to commission Uni-President Assets Management Corp. to manage the investment in domestic listed companies' stocks and short-term notes and bills totaling \$600,000. The Company adjusted the commissioned investment amounts in Uni-President Assets Management Corp. to \$860,000 in July 2020, to \$920,000 in December 2020, to \$1,050,000 in March 2021, to \$1,200,000 in June 2021 and to \$900,000 in May 2022. As of July 27, 2022, the Company terminated the discretionary investment management contract with Uni-President Assets Management Corp.

Beginning on March 24, 2021, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with Cathay Securities Investment Trust to commission Cathay Securities Investment Trust to manage the investment in domestic listed companies' stocks and short-term notes and bills totaling \$800,000. The company adjusted the commissioned investment amounts in Cathay Securities Investment Trust to \$400,000 in September 2022.

Beginning on April 6, 2021, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary investment management contract with JIH SUN SECURITIES CO.,LTD. to commission JIH SUN SECURITIES CO.,LTD. to manage the investment in domestic listed companies' stocks and short-term notes and bills totaling \$600,000. The company adjusted the commissioned investment amounts in JIH SUN SECURITIES CO.,LTD. to \$900,000 in May 2022.

In 2015, the subsidiary, Hotai Insurance Co., Ltd., signed a discretionary commission investment contract with JPMorgan Asset Management (Taiwan) Limited ("JPMorgan"), commissioning JPMorgan to conduct and manage domestic and foreign investments in various bonds on behalf of the subsidiary. The ceiling of this commissioned contract is based on the limit stipulated in the regulations. In July 2022, the Company terminated the commissioning of the domestic investments in various bonds.

(10) The subsidiary-Hotai Insurance Co., Ltd.'s calculation of retention earned premiums is shown below:

Three months ended September 30, 2022						
Category of insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 125,054	\$ 46,057	\$ 50,804	\$ 120,307	\$ 4,410	\$ 115,897
Elective insurance	3,032,853	55,078	666,351	2,421,580	(4,567)	2,426,147
	3,157,907	101,135	717,155	2,541,887	(157)	2,542,044
Discount	(9)	-	-	(9)	-	(9)
	<u>\$ 3,157,898</u>	<u>\$ 101,135</u>	<u>\$ 717,155</u>	<u>\$ 2,541,878</u>	<u>(\$ 157)</u>	<u>\$ 2,542,035</u>

Nine months ended September 30, 2022						
Category of insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 361,973	\$ 134,414	\$ 147,095	\$ 349,292	\$ 11,726	\$ 337,566
Elective insurance	8,837,713	242,379	1,985,518	7,094,574	240,260	6,854,314
	9,199,686	376,793	2,132,613	7,443,866	251,986	7,191,880
Discount	(10)	-	-	(10)	-	(10)
	<u>\$ 9,199,676</u>	<u>\$ 376,793</u>	<u>\$ 2,132,613</u>	<u>\$ 7,443,856</u>	<u>\$ 251,986</u>	<u>\$ 7,191,870</u>

Three months ended September 30, 2021						
Category of insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 107,290	\$ 42,712	\$ 42,913	\$ 107,089	\$ 2,876	\$ 104,213
Elective insurance	<u>2,632,017</u>	<u>59,197</u>	<u>492,597</u>	<u>2,198,617</u>	<u>85,291</u>	<u>2,113,326</u>
	2,739,307	101,909	535,510	2,305,706	88,167	2,217,539
Discount	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>
	<u>\$ 2,739,309</u>	<u>\$ 101,909</u>	<u>\$ 535,510</u>	<u>\$ 2,305,708</u>	<u>\$ 88,167</u>	<u>\$ 2,217,541</u>

Nine months ended September 30, 2021						
Category of insurance	Written premiums (1)	Reinsurance premiums (2)	Reinsurance premiums ceded (3)	Retention premiums (4)=(1)+(2)-(3)	Net change in unearned premium (5)	Retention earned premiums (6)=(4)-(5)
Compulsory insurance	\$ 314,659	\$ 125,613	\$ 125,387	\$ 314,885	\$ 9,323	\$ 305,562
Elective insurance	<u>7,827,104</u>	<u>182,023</u>	<u>1,679,504</u>	<u>6,329,623</u>	<u>311,163</u>	<u>6,018,460</u>
	8,141,763	307,636	1,804,891	6,644,508	320,486	6,324,022
Discount	<u>6</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>6</u>
	<u>\$ 8,141,769</u>	<u>\$ 307,636</u>	<u>\$ 1,804,891</u>	<u>\$ 6,644,514</u>	<u>\$ 320,486</u>	<u>\$ 6,324,028</u>

(11) The subsidiary-Hotai Insurance Co., Ltd.'s calculation of retention claim expenditures is shown below:

Three months ended September 30, 2022				
Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 54,020	\$ 50,840	\$ 32,430	\$ 72,430
Elective insurance	<u>10,516,802</u>	<u>28,387</u>	<u>223,368</u>	<u>10,321,821</u>
	<u>\$ 10,570,822</u>	<u>\$ 79,227</u>	<u>\$ 255,798</u>	<u>\$ 10,394,251</u>

Nine months ended September 30, 2022				
Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 188,202	\$ 116,677	\$ 111,830	\$ 193,049
Elective insurance	<u>13,734,417</u>	<u>31,244</u>	<u>605,791</u>	<u>13,159,870</u>
	<u>\$ 13,922,619</u>	<u>\$ 147,921</u>	<u>\$ 717,621</u>	<u>\$ 13,352,919</u>

Three months ended September 30, 2021

Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 68,905	\$ 31,115	\$ 40,771	\$ 59,249
Elective insurance	<u>1,001,181</u>	<u>7,375</u>	<u>133,127</u>	<u>875,429</u>
	<u>\$ 1,070,086</u>	<u>\$ 38,490</u>	<u>\$ 173,898</u>	<u>\$ 934,678</u>

Nine months ended September 30, 2021

Category of insurance	Claim expenditures (1)	Reinsurance claim expenditures (2)	Reinsurance claims recovery (3)	Retention claim expenditures (4)=(1)+(2)-(3)
Compulsory insurance	\$ 214,257	\$ 90,859	\$ 126,483	\$ 178,633
Elective insurance	<u>2,999,450</u>	<u>13,992</u>	<u>300,815</u>	<u>2,712,627</u>
	<u>\$ 3,213,707</u>	<u>\$ 104,851</u>	<u>\$ 427,298</u>	<u>\$ 2,891,260</u>

(12) Financial information of compulsory automobile insurance:

The subsidiary, Hotai Insurance Co., Ltd., sets independent accounting for its compulsory automobile liability insurance in accordance with Compulsory Automobile Liability Insurance Act, recording the insurance' business and financial condition.

A. Balance sheets for compulsory automobile liability insurance are as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Assets			
Cash and cash equivalents	\$ 1,739,454	\$ 1,669,184	\$ 1,655,165
Notes receivable	4,652	5,815	3,787
Premiums receivable	7,770	7,135	6,884
Claims recoverable from reinsurers	12,256	19,416	20,780
Due from reinsurance and ceding companies	14,655	15,742	15,908
Ceded unearned premium reserve	101,620	90,900	88,778
Ceded claim reserve	141,282	141,825	149,107
Temporary payments and suspense accounts	<u>2</u>	<u>63</u>	<u>75</u>
Total assets	<u>\$ 2,021,691</u>	<u>\$ 1,950,080</u>	<u>\$ 1,940,484</u>
Liabilities			
Claims payable	\$ 516	\$ 10,490	\$ 13,508
Due to reinsurance and ceding companies	18,882	17,025	13,896
Unearned premium reserve	267,188	244,742	239,422
Claims reserve	365,389	359,828	369,279
Special reserve	1,358,555	1,317,951	1,304,299
Temporary payments and suspense accounts	<u>11,161</u>	<u>44</u>	<u>80</u>
Total liabilities	<u>\$ 2,021,691</u>	<u>\$ 1,950,080</u>	<u>\$ 1,940,484</u>

As of September 30, 2022, December 31, 2021 and September 30, 2021, the subsidiary, Hotai Insurance Co., Ltd., has long-term time deposits amounting to \$1,604,013, \$1,553,013 and \$1,523,413 respectively, shown as other financial assets in the balance sheets.

B.Details of revenues and costs for compulsory automobile liability insurance are as follows:

	<u>Three months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Operating revenues		
Written premiums	\$ 84,678	\$ 71,521
Reinsurance premiums	46,057	42,712
Less: Reinsurance premiums ceded	(50,804)	(42,913)
Net change in unearned premium reserve	(4,410)	(2,876)
Retention earned premiums	75,521	68,444
Interest income	3,957	2,470
	<u>\$ 79,478</u>	<u>\$ 70,914</u>
Operating costs		
Claim expenditures	\$ 54,020	\$ 68,905
Reinsurance claim expenditures	50,840	31,115
Less: Reinsurance claims recovery	(32,430)	(40,771)
Retention claim expenditures	72,430	59,249
Net change in claims reserve	5,536	14,029
Net change in special reserve	4,705	452
	<u>\$ 82,671</u>	<u>\$ 73,730</u>
 <u>Nine months ended September 30,</u>		
	<u>2022</u>	<u>2021</u>
Operating revenues		
Written premiums	\$ 245,155	\$ 208,974
Reinsurance premiums	134,414	125,613
Less: Reinsurance premiums ceded	(147,095)	(125,387)
Net change in unearned premium reserve	(11,726)	(9,323)
Retention earned premiums	220,748	199,877
Interest income	9,855	7,410
	<u>\$ 230,603</u>	<u>\$ 207,287</u>
Operating costs		
Claim expenditures	\$ 188,202	\$ 214,257
Reinsurance claim expenditures	116,677	90,859
Less: Reinsurance claims recovery	(111,830)	(126,483)
Retention claim expenditures	193,049	178,633
Net change in claims reserve	6,104	38,994
Net change in special reserve	40,604	(4,355)
	<u>\$ 239,757</u>	<u>\$ 213,272</u>

(13) Capital management- Hotai Insurance Co., Ltd.

The primary objectives of the subsidiary, Hotai Insurance Co., Ltd., when managing capital are to safeguard capital adequacy and solvency of the subsidiary in order to support the subsidiary's sustainable development and continuously create interests for shareholder.

Taiwan insurance enterprises usually measure whether the capital is adequate in accordance with the capital adequacy ratio. Pursuant to Article 143-4 of Insurance Act, an insurance enterprise's ratio of self-owned capital to risk-based capital may not be lower than 200%. The subsidiary, Hotai Insurance Co., Ltd. calculates the capital adequacy ratio once every half year in accordance with "Regulations Governing Capital Adequacy of Insurance Enterprises" to ensure that it can continuously meet the statutory capital requirement. In addition, net worth ratio will be included in the monitor indicators of capital adequacy ratio.

Capital adequacy ratio is calculated as self-owned capital divided by risk-based capital. Self-owned capital is the total capital approved by the competent authority, which includes recognized owners' equity and other adjustment items as regulated by the competent authority; risk-based capital is the total capital calculated based on the extent of risk that an insurance enterprise assumes in its actual operations. The subsidiary, Hotai Insurance Co., Ltd. calculates capital adequacy ratio in accordance with "Regulations Governing Capital Adequacy of Insurance Companies". Currently, the RBC ratio is lower than the requirement of 200% because of the selling of severe and special infectious pneumonia related to epidemic prevention insurance products. To comply with the regulations of the "Regulations Governing Capital Adequacy of Insurance Enterprises", the Company prepared a financial plan for epidemic prevention and insurance for 2022, and submitted it to the Competent Authorities for approval on June 7, 2022. The Company will strengthen the capital in accordance with the plan for the capital increase in order to comply with the requirement of "Regulations Governing Capital Adequacy of Insurance Enterprises", please refer to Note 11 for further details.

Under Article 15 of "Regulations Governing the Preparation of Financial Reports by Enterprises Engaging in Insurance", the net worth ratios of the Company as of September 30, 2022, December 31, 2021 and September 30, 2021 were (74.11%), 32.28% and 31.86%, respectively.

- (14) The total amount of current assets and liabilities of the subsidiary, Hotai Finance Co., Ltd., that are expected to be recovered and repaid within or over 12 months

<u>September 30, 2022</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 2,185,065	\$ 2,185,065	\$ -
Current financial assets for hedging	232,491	-	232,491
Accounts and notes receivable, net	212,738,846	79,372,350	133,366,496
Other receivables	85,473	85,473	-
Inventories	2,708	2,708	-
Prepayments	6,550,972	3,849,497	2,701,475
Other current financial assets	418,296	418,296	-
<u>Liabilities</u>			
Short-term borrowings	85,800,878	67,883,181	17,917,697
Short-term notes and bills payable	87,807,713	65,584,970	22,222,743
Current financial liabilities for hedging	1,028,549	221,819	806,730
Notes payable	864,707	864,707	-
Accounts payable (including related parties)	464,718	464,718	-
Other payables	2,710,531	2,710,531	-
Current income tax liabilities	473,342	473,342	-
Lease liabilities-current	116,478	116,478	-
Bonds payable	22,200,000	-	22,200,000
Financial guarantee liabilities-current	44,379	44,379	-
Guarantee deposits received – current	4,017,971	1,625,029	2,392,942
Other current liabilities, others	59,915	59,915	-
<u>December 31, 2021</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 1,058,573	\$ 1,058,573	\$ -
Accounts and notes receivable, net	180,626,267	67,839,669	112,786,598
Other receivables	69,294	69,294	-
Inventories	2,976	2,976	-
Prepayments	6,629,871	4,348,752	2,281,119
Other current financial assets	439,157	409,157	30,000
<u>Liabilities</u>			
Short-term borrowings	\$ 57,098,277	\$ 46,454,154	\$ 10,644,123
Short-term notes and bills payable	96,914,188	77,130,606	19,783,582
Current financial liabilities for hedging	578,276	-	578,276
Notes payable	685,111	685,111	-
Accounts payable (including related parties)	313,806	313,806	-
Other payables	2,960,046	2,960,046	-
Current income tax liabilities	512,634	512,634	-
Lease liabilities-current	136,059	136,059	-
Bonds payable	12,200,000	-	12,200,000
Financial guarantee liabilities-current	53,707	53,707	-
Guarantee deposits received – current	3,707,171	1,549,677	2,157,494
Other current liabilities, others	61,293	61,293	-

<u>September 30, 2021</u>	<u>Book value</u>	<u>Within 12 months</u>	<u>Over 12 months</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 706,791	\$ 706,791	\$ -
Accounts and notes receivable, net	169,177,671	64,401,599	104,776,072
Other receivables	70,569	70,569	-
Inventories	4,127	4,127	-
Prepayments	6,458,227	4,355,600	2,102,627
Other current financial assets	466,010	436,010	30,000
<u>Liabilities</u>			
Short-term borrowings	\$ 52,301,384	\$ 41,268,678	\$ 11,032,706
Short-term notes and bills payable	91,222,324	68,841,888	22,380,436
Current financial liabilities for hedging	282,066	-	282,066
Notes payable	800,459	800,459	-
Accounts payable (including related parties)	529,210	529,210	-
Other payables	2,394,932	2,394,932	-
Current income tax liabilities	373,946	373,946	-
Lease liabilities-current	139,830	139,830	-
Bonds payable	12,200,000	-	12,200,000
Long-term liabilities, current portion	134,071	134,071	-
Financial guarantee liabilities-current	58,137	58,137	-
Guarantee deposits received - current	3,472,006	1,401,246	2,070,760
Other current liabilities, others	60,193	60,193	-

(15) Other Information - Hotai Insurance Co., Ltd.

In response to the impact of the COVID-19 epidemic, the subsidiary, Hotai Insurance Co., Ltd., has been selling the insurance products since mid-April 2022. With the COVID-19 outbreak in mid-April 2022, the number of infected is gradually increasing, and the demand for epidemic prevention insurance policies has significantly increased. After the Company considered the risks, in addition to the medical expenses, health insurance and vaccine insurance products for migrant workers infected with COVID-19, other products related to epidemic prevention insurance have been suspended on April 18, 2022. As of the date of the review report, the claim settlement of the epidemic prevention policy has increased the catastrophe risk of the company. The company has carefully assessed the impact on major issues such as surplus, capital adequacy, provision for deposits and liquidity, and has made appropriate provision for indemnity and provision for insufficient premiums. The company will continue to formulate appropriate measures in accordance with the government's epidemic prevention policies and the follow-up development of the epidemic, as well as the policy claims status, and respond appropriately, including capital adequacy and liquidity countermeasures, in order to take into account the company's financial structure and protection of rights and interests. The countermeasures of the subsidiary, Hotai Insurance Co., Ltd., included: disposal of property, applying for external borrowing and conducting capital increase. Please refer to Note 11 for further details of the capital increase.

13. Supplementary Disclosures

Related information of significant transactions are as follows:

(1) Significant transactions information

- (a) Loans to others: Please refer to table 1.
- (b) Provision of endorsements and guarantees to others: Please refer to table 2.
- (c) Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- (d) Acquisition or sale of the same security with the accumulated cost reaching \$300 million or 20% of the Company's paid-in capital: Please refer to table 4.
- (e) Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 5.
- (f) Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- (g) Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- (h) Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 7.
- (i) Trading in derivative instruments undertaken during the reporting periods:

The table below listed the derivative instruments undertaken but not yet expired as of September 30, 2022:

Company Name	Derivative Instruments	Contract Amount (in thousands)	Maturity Date	Book Value	Fair Value
Ho Tai Motor Co., Ltd.	Forward exchange contracts	USD 390,511	2022/10/7~2023/3/13	\$ 581,313	\$ 581,313
Hotai Insurance Co., Ltd.	Foreign exchange swap contracts	USD 21,900	2022/7/4~2022/9/28	(23,475)	(23,475)
Hotai Finance Co., Ltd.	Cross currency swaps	JPY 33,800,000	2023/8/7~2024/9/9	(1,028,549)	(1,028,549)
Hotai Finance Co., Ltd.	Cross currency swaps	EUR 75,000	2024/9/12	40,682	40,682
Hoyun International Lease Co., Ltd.	Cross currency swaps	USD 64,250	2024/8/30~2025/1/13	185,656	185,656
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Cross currency swaps	USD 4,800	2024/10/8	6,153	6,153

- (j) Significant inter-company transactions during the reporting periods: Please refer to table 8.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China) : Please refer to table 9.

(3) Information on investments in Mainland China

- (a) Basic information: Please refer to table 10.
- (b) Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:
 - i. The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None.

- ii. The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None.
- iii. The amount of property transactions and the amount of the resulting gains or losses: None.
- iv. The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: Please refer to table 2.
- v. The highest balance, end of period balance, interest rate range, and total current period interest with respect to financing of funds: Please refer to table 1.
- vi. Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 11.

14. Segment Information

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. The Company considers the business from an operating perspective, and the reportable operating segments are as follows:

- A. Distributor of Toyota and Hino products segments: distributor for sale of Toyota and Hino vehicles, parts and other products to dealers. This segment refers to Ho Tai Motor Co., Ltd. As of September 30, 2022, the Company's self-owned capital ratio was 75%.
- B. Installment trading segments: trading various vehicles in installments.
- C. Leasing segments: leasing of various vehicles in installments.
- D. Other segments: business activities and operating segments not included above.

(2) Measurement of segment information

- A. The accounting policies of operating segments are in agreement with the significant accounting policies summarized in Note 4.
- B. The pre-tax net income is used to measure the Company's operating segment profit (loss) and performance of the operating segments.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

<u>Items</u>	<u>Nine months September 30, 2022</u>					<u>Total</u>
	<u>Distributor of Toyota and Hino products segments</u>	<u>Installment trading segments</u>	<u>Leasing segments</u>	<u>Other segments</u>	<u>Reconciliation and elimination</u>	
Revenue from external customers	\$ 90,723,398	\$ 11,066,578	\$ 20,024,766	\$ 58,909,927	\$ -	\$ 180,724,849
Inter-segment revenue (Note)	(11,947,172)	506,782	926,406	(13,606,428)	24,120,412	-
Total segment revenue	<u>\$ 78,776,226</u>	<u>\$ 11,573,540</u>	<u>\$ 20,951,172</u>	<u>\$ 45,303,499</u>	<u>\$ 24,120,412</u>	<u>\$ 180,724,849</u>
Segment income (loss) (Note)	<u>(\$ 8,325,432)</u>	<u>\$ 3,360,803</u>	<u>\$ 2,032,424</u>	<u>(\$ 38,087,551)</u>	<u>\$ 35,701,361</u>	<u>(\$ 5,318,395)</u>
Segment assets	<u>\$ 71,019,726</u>	<u>\$209,446,424</u>	<u>\$ 75,120,577</u>	<u>\$ 93,185,052</u>	<u>(\$ 62,010,664)</u>	<u>\$ 386,761,115</u>

Nine months ended September 30, 2021

<u>Items</u>	<u>Distributor of Toyota and Hino products segments</u>	<u>Installment trading segments</u>	<u>Leasing segments</u>	<u>Other segments</u>	<u>Reconciliation and elimination</u>	<u>Total</u>
Revenue from external customers	\$ 104,908,985	\$ 8,389,860	\$ 17,350,241	\$ 58,195,460	\$ -	\$ 188,844,546
Inter-segment revenue (Note)	<u>12,126,369</u>	<u>409,719</u>	<u>895,536</u>	<u>10,252,841</u>	<u>(23,684,465)</u>	<u>-</u>
Total segment revenue	<u>\$ 117,035,354</u>	<u>\$ 8,799,579</u>	<u>\$ 18,245,777</u>	<u>\$ 68,448,301</u>	<u>(\$ 23,684,465)</u>	<u>\$ 188,844,546</u>
Segment income (Note)	<u>\$ 14,731,676</u>	<u>\$ 2,827,799</u>	<u>\$ 1,650,431</u>	<u>\$ 10,538,614</u>	<u>(\$ 10,363,765)</u>	<u>\$ 19,384,755</u>
Segment assets	<u>\$ 83,266,294</u>	<u>\$163,763,471</u>	<u>\$ 65,326,482</u>	<u>\$ 106,089,568</u>	<u>(\$ 93,965,427)</u>	<u>\$ 324,480,388</u>

Note: Inter-segment revenue is revenue from goods sold and services rendered between segments. Sales and transfers between consolidated entities are deemed as transactions with third parties and are measured at present market price.

(4) Reconciliation for segment income (loss)

- A. The Company's Chief Operating Decision-Maker assesses performance of operating segments and allocates resources based on pre-tax net income, thus, reconciliation is not needed.
- B. The total assets reported to the Chief Operating Decision-Maker are measured in a manner consistent with that in the Company's financial statements.

Ho Tai Motor Co., Ltd.
Loans to others
Nine months ended September 30, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 1

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the nine months ended		Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					September 30, 2022	September 30, 2022							Item	Value			
1	Shanghai Heling Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	Other receivables	Y	\$ 580,129	\$ 580,129	\$ 6,694	2.15%	Short-term financing	-	Operations	\$ -	None	-	\$ 1,312,378	\$ 2,624,756	Note 1
2	Shanghai Hoyu Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	270,558	267,752	-	2.15%	"	-	"	-	"	-	498,326	996,652	"
3	Shanghai Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	135,279	133,876	-	2.15%	"	-	"	-	"	-	183,634	367,268	"
4	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	446,253	446,253	4,016	2.15%	"	-	"	-	"	-	718,834	1,437,668	"
5	Shanghai Ho-Mian Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	566,741	566,741	91,526	2.15%	"	-	"	-	"	-	1,003,603	2,007,205	"
6	Shanghai Guangxin Cultural Media Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	8,117	8,033	-	2.15%	"	-	"	-	"	-	10,914	21,828	"
7	Shanghai Hoxin Motor Service Consulting Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	7,586	7,586	7,051	2.15%	"	-	"	-	"	-	13,303	26,606	"
8	Shanghai HoChen Motor Technology Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	180,372	169,576	-	2.15%	"	-	"	-	"	-	299,562	599,123	"
9	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	180,372	178,501	49,222	2.15%	"	-	"	-	"	-	311,511	623,023	"
10	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	133,876	133,876	105,896	2.15%	"	-	"	-	"	-	186,184	372,368	"
11	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	401,628	401,628	-	2.15%	"	-	"	-	"	-	527,702	1,055,404	"
11	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	45,093	44,625	-	3.35%	"	-	"	-	"	-	105,540	211,081	Note 5
12	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	360,744	357,002	61,628	2.15%	"	-	"	-	"	-	526,936	1,053,873	Note 1
13	Tianjin Hozhan Motor Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	245,439	245,439	85,502	2.15%	"	-	"	-	"	-	320,873	641,746	"
14	Tianjin Heyi International Trading Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	89,251	89,251	-	2.15%	"	-	"	-	"	-	112,893	225,787	"
15	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	290,064	290,064	141,864	2.15%	"	-	"	-	"	-	367,497	734,993	"
16	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	334,690	334,690	33,067	2.15%	"	-	"	-	"	-	467,887	935,774	"
17	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	156,189	156,189	-	2.15%	"	-	"	-	"	-	266,470	532,939	"
18	ZaoZhuang Ho-Wan Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	36,074	35,700	22,313	2.15%	"	-	"	-	"	-	49,320	98,641	"
19	Shanghai Zhongxin Means of Transportation Engineering Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	11,156	11,156	-	2.15%	"	-	"	-	"	-	493,954	987,907	"
20	Tianjin Ho-Yu Motor Sales And Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	22,313	22,313	-	2.15%	"	-	"	-	"	-	47,389	94,779	Note 3
21	Shanghai Fengyi Construction Decoration Co., Ltd.	Hotong Motor Investment Co., Ltd.	"	Y	26,775	26,775	22,313	2.15%	"	-	"	-	"	-	131,338	262,676	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	"	Y	563,662	535,503	507,805	2.70%	"	-	"	-	"	-	9,312,823	18,625,645	Note 2
22	Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	"	Y	225,465	200,814	48,642	2.70%	"	-	"	-	"	-	9,312,823	18,625,645	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	"	Y	178,501	178,501	73,737	2.70%	"	-	"	-	"	-	9,312,823	18,625,645	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	293,104	267,752	-	2.70%	"	-	"	-	"	-	9,312,823	18,625,645	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Mian Motor Technology Co., Ltd.	"	Y	90,186	89,251	-	2.70%	"	-	"	-	"	-	9,312,823	18,625,645	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Guangxin Cultural Media Co., Ltd.	"	Y	9,019	8,925	-	2.70%	"	-	"	-	"	-	9,312,823	18,625,645	"

Number	Creditor	Borrower	General ledger account	Related party	Maximum outstanding balance during the nine months ended		Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					September 30, 2022	September 30, 2022							Item	Value			
22	Hotong Motor Investment Co., Ltd.	Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Other receivables	Y	\$ 13,528	\$ 13,388	\$ -	2.70%	Short-term financing	-	Operations	\$ -	None	-	\$ 9,312,823	\$ 18,625,645	Note 2
22	Hotong Motor Investment Co., Ltd.	Shanghai HoChen Motor Technology Co., Ltd.	"	Y	225,465	223,126	130,975	2.70%	"	-	"	-	"	-	9,312,823	18,625,645	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	"	Y	180,372	178,501	-	2.70%	"	-	"	-	"	-	9,312,823	18,625,645	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	"	Y	45,093	44,625	-	3.20%	"	-	"	-	"	-	9,312,823	18,625,645	"
22	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	473,476	401,628	108,216	2.70%	"	-	"	-	"	-	9,312,823	18,625,645	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	360,744	334,690	-	2.70%	"	-	"	-	"	-	9,312,823	18,625,645	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	"	Y	135,279	133,876	-	2.70%	"	-	"	-	"	-	9,312,823	18,625,645	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	"	Y	225,465	223,126	12,718	2.70%	"	-	"	-	"	-	9,312,823	18,625,645	"
22	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	360,744	334,690	-	2.70%	"	-	"	-	"	-	9,312,823	18,625,645	"
22	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	225,465	223,126	-	2.70%	"	-	"	-	"	-	9,312,823	18,625,645	"
22	Hotong Motor Investment Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	"	Y	180,372	156,189	10,710	2.70%	"	-	"	-	"	-	9,312,823	18,625,645	"
22	Hotong Motor Investment Co., Ltd.	ZaoZhuang Ho-Wan Motor Sales & Service Co.,Ltd	"	Y	45,093	44,625	-	2.70%	"	-	"	-	"	-	9,312,823	18,625,645	"
22	Hotong Motor Investment Co., Ltd.	Shanghai Zhongxin Means of Transportation Engineering Co., Ltd.	"	Y	133,876	133,876	-	2.70%	"	-	"	-	"	-	9,312,823	18,625,645	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	"	Y	180,372	156,189	78,451	2.70%	"	-	"	-	"	-	1,862,565	3,725,129	Note 4
22	Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co.,Ltd.	"	Y	133,876	133,876	85,324	2.70%	"	-	"	-	"	-	1,862,565	3,725,129	"
22	Hotong Motor Investment Co., Ltd.	Qingdao Heling Lexus Automobile Sales Service Co., Ltd.	"	Y	89,251	89,251	-	2.70%	"	-	"	-	"	-	1,862,565	3,725,129	"
22	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	"	Y	892,506	892,506	446,253	3.20%	"	-	"	-	"	-	1,862,565	3,725,129	"
22	Hotong Motor Investment Co., Ltd.	Beijing Heling Lexus Motor Sales & Service Co., Ltd.	"	Y	135,279	133,876	-	3.35%	"	-	"	-	"	-	1,862,565	3,725,129	"
22	Hotong Motor Investment Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	"	Y	135,279	133,876	133,876	3.35%	"	-	"	-	"	-	1,862,565	3,725,129	"
22	Hotong Motor Investment Co., Ltd.	Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	"	Y	133,876	133,876	-	3.20%	"	-	"	-	"	-	1,862,565	3,725,129	"
22	Hotong Motor Investment Co., Ltd.	Tianjin Binhai Heling LEXUS Motor Service Co., Ltd.	"	Y	90,186	89,251	66,938	3.35%	"	-	"	-	"	-	1,862,565	3,725,129	"
22	Hotong Motor Investment Co., Ltd.	Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.	"	Y	67,639	-	-	3.35%	"	-	"	-	"	-	1,862,565	3,725,129	"
23	Hoyun International Lease Co. Ltd.	Hoyun (Shanghai) Commercial Factoring Co., Ltd.	"	Y	225,465	223,126	-	4.30%	"	-	"	-	"	-	5,306,812	10,613,624	Note 1
24	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	"	Y	2,000,000	2,000,000	-	0.72%	"	-	"	-	"	-	2,855,567	5,711,134	Note 6
24	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	"	Y	2,000,000	2,000,000	-	1.19%	"	-	"	-	"	-	2,855,567	5,711,134	"

Note 1: The limit on total loans to the borrower and creditor whose voting rights are both 100% owned directly and indirectly by the Company is 200% of the creditor's net value. The limit on loans to a single entity is 100% of the company's total equity.

Note 2: For Hotong Motor Investment Co., Ltd., the limit on total loans to foreign companies whose voting rights are 100% owned directly and indirectly by the same parent company is 200% of the company's total equity. The limit on loans to a single entity is 100% of the company's total equity.

Note 3: The limit on total loans to the creditor (Tianjin Ho-Yu Motor Sales and Service Co., Ltd. and Shanghai Fengyi Construction Decoration Co., Ltd.) and borrower (Hotong Motor Investment Co., Ltd.) for operations short-term financing is prescribed in the Hotong Motor Investment Co., Ltd.'s

"Procedures for Provision of Loans"; the limit on loans to others is 40% of the company's net value and to a single entity is 20% of the company's net value.

Note 4: The limit on total loans to the creditor (HOTONG MOTOR INVESTMENT CO., LTD.) and borrower (Tianjin Ho-Yu Motor Sales and Service Co., Ltd., Qingdao Heling Lexus Automobile Sales Service Co., Ltd., Nanjing HoZhan Motor Sales and Service Co., Ltd., Hoyun International Lease Co., Ltd., Beijing Heling Lexus Motor Sales & Service Co., Ltd., Chongqing Taikang Heling Lexus Motor Sales & Service Co., Ltd., Tianjin Binhai Heling LEXUS Motor Service Co., Ltd., Taiyuan Zhongdu Heling LEXUS Motor Sales & Service Co., Ltd.) for operations short-term financing is prescribed in the HOTONG MOTOR INVESTMENT CO., LTD.'s "Procedures for Provision of Loans"; the limit on loans to others is 40% of the company's net value and to a single entity is 20% of the company's net value.

Note 5: The limit on total loans to the creditor (Chongqing Heling Lexus Motor Sales & Service Co.,Ltd.) and borrower (Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.) for operations short-term financing is prescribed in the Chongqing Heling Lexus Motor Sales & Service Co.,Ltd.'s "Procedures for Provision of Loans"; the limit on loans to others is 40% of the company's net value and to a single entity is 20% of the company's net value.

Note 6: The creditor (Hotai Finance Co., Ltd.) and the borrower (He Jing Co., Ltd. and He Jun Energy Co., Ltd.) who had the requirement of short-term financing for operating capital, according to the prodedures of loans to others of Hotai Finance Co., Ltd., the limit of total loans to others should not exceed 20% of the net value and the limit of loans to single party should not exceed 10% of net value.

Ho Tai Motor Co., Ltd.
Provision of endorsements and guarantees to others
Nine months ended September 30, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 2

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of September 30, 2022	Outstanding endorsement/ guarantee amount at September 30, 2022	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by parent company	Provision of endorsements/ guarantees to the party in Mainland China	Footnote
		Company name	Relationship with the endorser/guarantor											
0	Ho Tai Motor Co., Ltd.	Hotai Insurance Co., Ltd.	Note 4.b	\$ 15,251,743	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ -	9.83%	\$ 25,419,571	Y	N	N	Note 2
0	Ho Tai Motor Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	Note 4.a	15,251,743	400,000	400,000	80,000	-	0.79%	25,419,571	Y	N	N	"
1	Hotai Finance Co., Ltd.	Hoyun International Lease Co., Ltd.	"	28,555,666	2,254,647	2,231,264	1,119,457	-	7.81%	28,555,666	Y	N	Y	Note 3
1	Hotai Finance Co., Ltd.	Hoyun (Shanghai) Commerical Factoring Co., Ltd.	"	28,555,666	515,753	515,753	232,502	-	1.81%	28,555,666	Y	N	Y	"
1	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	"	28,555,666	2,000,000	2,000,000	-	-	7.00%	28,555,666	Y	N	N	"
1	Hotai Finance Co., Ltd.	He Jing Co., Ltd.	"	28,555,666	9,500,000	9,500,000	5,950,000	-	33.27%	28,555,666	Y	N	N	"

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

1. The Company is '0'.
2. The subsidiaries are numbered in order starting from '1'.

Note 2: Limit on the Company's accumulated endorsement/guarantee is 50% of the Company's stockholders' equity; limit on endorsement/guarantee to a single party is 30% of the Company's stockholders' equity.

Note 3: For Hotai Financial Co., Ltd. the limit on total endorsement is no more than 100% of its total equity; the limit on endorsement for any single entity is no more than 100% of the Company's total equity.

Note 4: Relationship between the endorser/guarantor:

- a. The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed company.
- b. The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

Ho Tai Motor Co., Ltd.
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Nine months ended September 30, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 3

Securities held by	Type and name of securities	Relationship with the securities issuer	General ledger account	As of September 30, 2022				
				Number of shares	Book value	Ownership (%)	Fair value	Footnote
Ho Tai Motor Co., Ltd.	Stock - Mega Financial Holding Company	None	Financial assets at fair value through other comprehensive income - non-current	21,132,585	\$ 658,280	0.15%	\$ 658,280	
	- Toyota Motor Corporation	-	"	15,956,000	6,588,354	0.10%	6,588,354	
	- Shihlin Electric & Engineering Corporation Etc.	None	"	-	127,168	0.00%~0.42%	127,168	
	Taian Insurance Co., Ltd. Etc.	-	"	-	401,650	0.42%~9.33%	401,650	
	Nan Shan Life Insurance Perpetual Subordinated Bonds	None	Financial assets at fair value through profit or loss - non-current	-	\$ 500,000	-	\$ 500,000	
	Stock - Toyota Motor Corporation	-	Financial assets at fair value through profit or loss - current	976,500	460,738	0	403,204	
				Valuation adjustment of financial assets		(57,534)	-	-
			Total		\$ 903,204		\$ 903,204	
Hozan Investment Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 3,341	0.50%	\$ 3,341	
Carmax Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	\$ 3,446	0.06%~0.50%	\$ 3,446	
	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	35,338,389	\$ 370,000	-	\$ 370,491	
	- Franklin Templeton Sinoam Money Market Fund		Valuation adjustment of financial assets		491		-	
			Total		\$ 370,491		\$ 370,491	
Ho Tai Development Co., Ltd.	Stock - First Financial Holding Co. Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 2,092	-	\$ 2,092	
	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	3,446	0.06%~0.50%	3,446	
	PSC DSU 100% Principle Guaranteed (USD)	Not applicable	Financial assets at fair value through profit or loss - current	-	\$ 248,942	-	\$ 250,296	
	PSC DSU 100% Principle Guaranteed (TWD)	Not applicable	"	-	400,000	-	400,000	
				Valuation adjustment of financial assets		1,354		-
			Total		\$ 650,296		\$ 650,296	
Ho Tai Service & Marketing Co., Ltd	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	1,853,787	\$ 22,000	-	\$ 22,480	
	- BOT Money Market Fund		Valuation adjustment of financial assets		480		-	
			Total		\$ 22,480		\$ 22,480	
Hotai Finance Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	Financial assets at fair value through other comprehensive income - non-current	-	\$ 3,341	0.50%	\$ 3,341	
Hotai Leasing Co., Ltd.	Ho An Insurance Agency Co., Ltd. Etc.	-	"	-	\$ 3,341	0.50%	\$ 3,341	
Shanghai Ho-Yu (BVI)	YU-TU(BVI)Finance Investment Corporation	None	"	-	\$ 24,294	10.48%	\$ 24,294	
Hotai Connected Co., Ltd	Beneficiary certificates	Not applicable	Financial assets at fair value through profit or loss - current	9,550,095	\$ 100,000	-	\$ 100,124	
	- Franklin Templeton Sinoam Money Market Fund		Beneficiary certificates	6,300,502	80,000		80,120	
	- Mega Diamond Money Market Fund		Valuation adjustment of financial assets		244		-	
			Total		\$ 180,244		\$ 180,244	
Hotai Mobility Service Co., Ltd.	Beneficiary certificates - Franklin Templeton Sinoam Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	9,550,916	\$ 100,000	-	\$ 100,133	
	Beneficiary certificates - Mega Diamond Money Market Fund	Not applicable	"	4,725,823	60,000	-	60,096	
	Beneficiary certificates - CTBC Hwa-win Money Market Fund	Not applicable	"	3,860,619	43,002	-	43,053	
			Valuation adjustment of financial assets		280		-	
			Total		\$ 203,282		\$ 203,282	
ChyuanAn Transport Co.,Ltd	Beneficiary certificates - CTBC Hwa-win Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	2,244,467	\$ 25,000	-	\$ 25,030	
			Valuation adjustment of financial assets		30		-	
			Total		\$ 25,030		\$ 25,030	
YuCheng Transport Co.,Ltd	Beneficiary certificates - CTBC Hwa-win Money Market Fund	Not applicable	Financial assets at fair value through profit or loss - current	1,346,680	\$ 15,000	-	\$ 15,018	
			Valuation adjustment of financial assets		18		-	
			Total		\$ 15,018		\$ 15,018	

Note: Hotai Insurance Co., Ltd. does not need to be disclosed as it is an insurance company.

Ho Tai Motor Co., Ltd.
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Nine months ended September 30, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 4

Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Balance as at January 1, 2022		Addition		Disposal			Balance as at September 30, 2022		Footnote	
					Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares		Amount
Hotai Finance Co.,Ltd.	He Jun Energy Co., Ltd.	Investments accounted for using equity method - common stocks	He Jun Energy Co., Ltd.	Subsidiary	-	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	-	\$ -	Note 2
Ho Tai Motor Co., Ltd.	Hotai Connected Co., Ltd	Investments accounted for using equity method - common stocks	Ho Yu Investment Co., Ltd. Etc.	Associates/subsidiaries	-	-	-	-	-	-	-	-	-	-	Note 3
Carmax Co., Ltd.	Franklin U.S.Government Money Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	35,665,722	370,000	35,338,389	370,000	35,665,722	373,420	370,000	3,420	35,338,389	370,491	
Toyota Material Handling Taiwan Ltd.	Franklin U.S.Government Money Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	49,471,383	506,728	-	-	49,471,383	517,881	506,728	11,153	-	-	
Hotai Finance Co.,Ltd.	Fubon Chi-Hsiang Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	63,107,809	1,000,000	63,107,809	1,000,063	1,000,000	63	-	-	
Hotai Finance Co.,Ltd.	Taishin 1699 Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	146,027,509	2,000,000	146,027,509	2,000,168	2,000,000	168	-	-	
Hotai Finance Co.,Ltd.	FSITC Taiwan Money Market Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	51,636,765	800,000	51,636,765	800,091	800,000	91	-	-	
Hotong Motor Investment Co., Ltd.	Structured deposit - Cathy United Bank	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	217,136	-	450,929	-	675,169	666,029	9,140	-	-	
Ho Tai Development Co., Ltd.	PSC DSU 100% Principle Guaranteed (TWD)	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	-	-	-	400,000	-	-	-	-	-	400,000	
Hotai Connected Co., Ltd	Franklin U.S.Government Money Fund	Financial assets at fair value through profit or loss - current	Not applicable	Not applicable	3,325,555	34,602	24,849,790	260,000	18,625,250	194,982	194,602	380	9,550,095	100,124	

Note 1: Hotai Insurance Co., Ltd. does not need to be disclosed as it is an insurance company.

Note 2: Please refer to Note 9 for details.

Note 3: On January 20, 2022, the Company disposed 30% of the shares of Hotai Connected Co., Ltd. to Ho Yu Investment Co., Ltd., Kuotu Motor Co., Ltd., Taipei Toyota Motor Co., Ltd., Tau Miao Motor Co., Ltd., Central Motor Co., Ltd., Nan Du Motor Co., Ltd., Kau Du Automobile Co., Ltd., Lang Yang Toyota Motor Co., Ltd. and Eastern Motor Co., Ltd.

Ho Tai Motor Co., Ltd.
Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital
Nine months ended September 30, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 5

If the counterparty is a related party, information as to the
last transaction of the real estate is disclosed below:

Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
Hotai Insurance Co., Ltd.	14 parking spaces and second floor in No.150 and No.152 Section 4, Chengde Road, Shilin Dist., Taipei City	2022.6.15	\$ 404,809	\$ 404,809	Fresh Nature International Co., Ltd.	Non-related party	-	-	-	-	Valuations by professional appraisers	Future operation demand	None
Chang Yuan Motor Co., Ltd.	No. 82-5, Sec. 2, Lingang Rd., Longjing Dist., Taichung City	2022.7.26	\$ 446,000	\$ 200,000	SHAN FENG FOODS INDUSTRIAL CO., LTD.	"	-	-	-	-	"	"	"

Note 1 :The appraisal result should be presented in the 'Basis or reference used in setting the price' column if the real estate acquired should be appraised pursuant to the regulations.

Note 2: Paid-in capital referred to herein is the paid-in capital of parent company. In the case that shares were issued with no par value or a par value other than NT\$10 per share, the 20 % of paid-in capital shall be replaced by 10% of equity attributable to owners of the parent in the calculation.

Note 3: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of the transaction, whichever is earlier.

Ho Tai Motor Co., Ltd.
Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more
Nine months ended September 30, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 6

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases(sale)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable(payable)	
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Sales	\$ 18,999,977	20%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	\$ 510,868	17%	
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	17,418,189	19%	"	"	"	473,314	16%	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	12,959,993	14%	"	"	"	363,630	12%	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	13,145,957	14%	"	"	"	324,094	11%	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	11,319,771	13%	"	"	"	209,906	7%	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	11,817,780	12%	"	"	"	312,782	11%	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	"	2,542,840	3%	"	Not applicable	"	425,424	14%	
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	Associates	"	1,957,246	2%	"	Normal	"	-	-	
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	Subsidiary	"	1,868,446	2%	"	"	"	74,008	3%	
Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	"	724,881	1%	Collection at sight	"	"	111,144	4%	
Ho Tai Motor Co., Ltd.	Toyota Motor Corporation	Entity controlled by the Company's key management	Purchases	26,425,131	32%	Closes its accounts 15 days after the end of each month	Not applicable	"	(3,216,932)	43%	
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	34,875,222	42%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(1,238,776)	16%	
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	Subsidiary	"	1,273,629	2%	Closes its accounts 16 days after the end of each month	"	"	(195,273)	3%	
Ho Tai Motor Co., Ltd.	Toyota Motor Asia Pacific Pte Ltd.	Entity controlled by the Company's key management	"	3,072,480	4%	Closes its accounts 15 days after the end of each month	"	"	(536,969)	7%	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases(sale)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable(payable)	
Ho Tai Motor Co., Ltd.	Hino Motors, Ltd.	Entity controlled by the Company's key management	Purchases	\$ 237,865	-	Closes its accounts 15 days after the end of each month	Not applicable	Normal	(\$ 17,601)	-	
Ho Tai Motor Co., Ltd.	Toyota Motor Europe - NV/SA	"	"	849,716	1%	"	"	"	(116,551)	2%	
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Associates	"	746,076	1%	Closes its accounts 16 days after the end of each month	"	"	(92,953)	1%	
Ho Tai Motor Co., Ltd.	TOYOTA-MOTOR-SALES-USA	Entity controlled by the Company's key management	"	738,118	1%	Closes its accounts 15 days after the end of each month	"	"	(3,079)	-	
Chang Yuan Motor Co., Ltd.	He Jing Co., Ltd.	Subsidiary	Sales	488,404	3%	Collection at sight	Normal	"	41,229	2%	
Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	Associates	"	356,779	2%	"	"	"	60,469	2%	
Chang Yuan Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	120,595	1%	Closes its accounts on the next Monday and Wednesday after the end of each week	"	"	7,258	-	
Chang Yuan Motor Co., Ltd.	Kuozui Motors, Ltd.	"	Purchases	9,565,686	70%	"	Not applicable	Not applicable	(466,222)	43%	
Chang Yuan Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	2,542,840	19%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(425,424)	40%	
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	"	Sales	1,273,629	23%	Closes its accounts 16 days after the end of each month	Normal	Normal	195,273	17%	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	Associates	"	851,263	16%	Closes its accounts 10 days after the end of each month	"	"	202,426	18%	
Carmax Co., Ltd.	Taogin Enterprise Co., Ltd.	"	"	111,939	2%	"	"	"	22,429	2%	
Carmax Co., Ltd.	Zhonghao Automobile Co., Ltd.	"	"	106,007	2%	"	"	"	27,655	2%	
Carmax Co., Ltd.	Smart Design Technology Co., Ltd.	Subsidiary	Purchases	441,435	10%	"	"	"	(23,751)	3%	
Carmax Co., Ltd.	AIM Technology Corp.	Associates	"	1,014,738	24%	Closes its accounts 21 days after the end of each month	"	"	(150,631)	23%	
Carmax Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	Subsidiary	"	174,500	4%	Closes its accounts 30 days after the end of each month	"	"	(44,170)	1%	
Hotai Leasing Co., Ltd.	Kuotu Motor Co., Ltd.	Associates	"	2,483,210	19%	Payment at sight	"	"	(108,998)	38%	Note
Hotai Leasing Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	"	1,041,582	8%	"	"	"	(36,811)	13%	"
Hotai Leasing Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	"	724,881	5%	"	"	"	(111,144)	39%	"
Hotai Leasing Co., Ltd.	Central Motor Co., Ltd.	Associates	"	829,311	6%	"	"	"	(2,262)	1%	"
Hotai Leasing Co., Ltd.	Tau Miao Motor Co., Ltd.	"	"	639,730	5%	"	"	"	-	-	"
Hotai Leasing Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	569,439	4%	"	"	"	-	-	"
Hotai Leasing Co., Ltd.	Chang Yuan Motor Co., Ltd.	"	"	356,779	3%	"	"	"	(60,469)	21%	"
Hotai Leasing Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	370,898	3%	"	"	"	-	-	"

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases(sale)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable(payable)	
Hotai Leasing Co., Ltd.	Eastern Motor Co., Ltd.	Associates	Purchases	\$ 158,648	1%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	Normal	Normal	(\$ 18,571)	6%	
Eastern Motor Co., Ltd.	Hotai Leasing Co., Ltd.	"	Sales	158,648	7%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	18,571	18%	
Eastern Motor Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	Purchases	1,868,446	87%	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	"	"	(74,008)	84%	
He Jing Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	"	488,404	100%	"	"	"	(41,229)	-	
Carmax Autotech (Shanghai) Co., Ltd.	Carmax Co., Ltd.	Subsidiary	Sales	174,500	51%	Closes its accounts 30 days after the end of each month	"	"	44,170	66%	
Carmax Autotech (Shanghai) Co., Ltd.	Hotong Motor Investment Co., Ltd.	Associates	"	125,099	36%	"	"	"	8,395	13%	
Toyota Material Handling Taiwan Ltd.	Toyota Industries Corporation	Entity controlled by the Company's key management	Purchases	341,174	67%	Closes its accounts 15 days after the end of each month	Not applicable	"	(16,741)	24%	
Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	Parent company	Sales	441,435	91%	Closes its accounts 10 days after the end of each month	Normal	"	23,751	99%	
Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co, Ltd.	"	"	215,416	36%	Closes its accounts 60 days after the end of each month	"	"	19,983	51%	
Ho Tai Parts & Accessories Co., Ltd.	Ho Tai Development Co, Ltd.	"	"	341,026	95%	Closes its accounts 26 days after the end of next month	"	"	48,834	100%	
Ho Tai Transportation Co., Ltd.	Ho Tai Development Co, Ltd.	"	"	114,924	100%	"	"	"	7,013	99%	
Ho Tai Development Co, Ltd.	Ho Tai Service & Marketing Co., Ltd.	Subsidiary	Purchases	215,416	2%	Closes its accounts 60 days after the end of each month	"	"	(19,983)	6%	
Ho Tai Development Co, Ltd.	Ho Tai Parts & Accessories Co., Ltd.	"	"	341,026	4%	Closes its accounts 26 days after the end of next month	"	"	(48,834)	16%	
Ho Tai Development Co, Ltd.	Ho Tai Transportation Co., Ltd.	"	"	114,924	1%	"	"	"	(7,013)	2%	
Shanghai Hozhan Motor Service. Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	"	Sales	105,491	7%	Advance sales receipts	"	"	-	-	
Shanghai Heling Motor Service Co., Ltd.	Hoyun International Lease Co., Ltd.	Associates	"	114,006	5%	Collection at sight	"	"	-	-	
Shanghai Heling Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	1,878,710	90%	Payment in advance	"	"	-	-	
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,733,026	100%	"	"	"	-	-	
Shanghai Yangpu Heling Lexus Motor Sale & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,489,281	100%	"	"	"	-	-	
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	1,159,854	100%	"	"	"	-	-	
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	957,592	95%	"	"	"	-	-	

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases(sale)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable(payable)	
Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	Entity controlled by the Company's key management	Purchases	1,434,703	90%	Payment in advance	Normal	Normal	\$ -	-	
Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Toyota Motor (China) Investment Co., Ltd.	"	"	\$ 737,586	95%	"	"	"	-	-	
Hoyun International Lease Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	Associates	"	114,006	88%	"	"	"	-	-	
Tianjin Heyi International Trading Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	Parent company	"	105,491	32%	"	"	"	-	-	
Hotong Motor Investment Co., Ltd.	Carmax Autotech (Shanghai) Co., Ltd.	Associates	"	125,099	92%	Closes its accounts 30 days after the end of each month	"	"	(8,395)	-	

Note: Hotai Leasing Co., Ltd., Hoing Mobility Service Corporation and Hoyun International Lease Co., Ltd., purchase vehicles from parent company and associates for renting services, the related assets are reported under property, plant, and equipment.

Ho Tai Motor Co., Ltd.
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
September 30, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 7

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2022	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts	
					Amount	Action taken			
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	Associates	Accounts receivable	\$ 510,868	59.65	-	-	\$ 510,868	-
			Other receivables	8,693				8,693	
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	Accounts receivable	473,314	58.55	-	-	473,314	-
			Other receivables	7,951				7,951	
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Subsidiary	Accounts receivable	425,424	10.13	-	-	425,424	-
			Other receivables	19,156				19,156	
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	Associates	Accounts receivable	363,630	58.18	-	-	363,630	-
			Other receivables	4,142				4,142	
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	Accounts receivable	312,782	55.86	-	-	312,782	-
			Other receivables	5,868				5,868	
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	Accounts receivable	324,094	59.11	-	-	324,094	-
			Other receivables	6,212				6,212	
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	Accounts receivable	209,906	102.90	-	-	209,906	-
			Other receivables	76,376				76,376	
Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	Subsidiary	Accounts receivable	111,144	12.79	-	-	111,144	-
			Other receivables	1,639				1,639	
Carmax Co., Ltd.	Kuozui Motors, Ltd.	Associates	Accounts receivable	202,426	30.92	-	-	202,426	-
Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	Ultimate parent company	Accounts receivable	195,273	22.12	-	-	195,273	-

Ho Tai Motor Co., Ltd.
Significant inter-company transactions during the reporting periods
Nine months ended September 30, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 8

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Sales revenue	\$ 2,542,840	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Service revenue	1,382,818	Closes its accounts 16 days after the end of following two months	1%
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Accounts receivable	425,424	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	-
0	Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	1	Rent income	60,842		-
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Sales revenue	1,868,446	Closes its accounts on the next Monday and Wednesday after the end of each week, interest bearing from transaction date	1%
0	Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	1	Accounts receivable	74,008		-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Accounts payable	195,273	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	1	Sales revenue	97,044	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Sales revenue	724,881	Collection at sight	-
0	Ho Tai Motor Co., Ltd.	Hotai Leasing Co., Ltd.	1	Accounts receivable	111,144		-
0	Ho Tai Motor Co., Ltd.	Hotai Finance Co., Ltd.	1	Sales discounts and allowances	133,491	Closes its accounts 16 days after the end of each month	-
0	Ho Tai Motor Co., Ltd.	YuCheng Transport Co., Ltd.	1	Sales revenue	43,322		-
1	Chang Yuan Motor Co., Ltd.	Eastern Motor Co., Ltd.	3	Sales revenue	66,445	Collection at sight	-
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	356,779	Collection at sight	-
1	Chang Yuan Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Accounts receivable	60,469		-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
1	Chang Yuan Motor Co., Ltd.	He Jing Co., Ltd.	3	Sales revenue	\$ 488,404		-
1	Chang Yuan Motor Co., Ltd.	He Jing Co., Ltd.	3	Accounts receivable	41,229		-
2	Eastern Motor Co., Ltd.	Hotai Leasing Co., Ltd.	3	Sales revenue	158,648		-
3	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	Sales revenue	1,273,629		1%
3	Carmax Co., Ltd.	Ho Tai Motor Co., Ltd.	2	Service revenue	146,344		-
4	Carmax Autotech (Shanghai) Co.,Ltd.	Carmax Co., Ltd.	3	Sales revenue	174,500	Closes its accounts 30 days after the end of each month	-
4	Carmax Autotech (Shanghai) Co.,Ltd.	Carmax Co., Ltd.	3	Accounts receivable	44,170		-
4	Carmax Autotech (Shanghai) Co.,Ltd.	Hotong Motor Investment Co., Ltd.	3	Sales revenue	125,099		-
5	Hotong Motor Investment Co., Ltd.	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	61,628		-
5	Hotong Motor Investment Co., Ltd.	Tianjin Hozhan Motor Service Co., Ltd.	3	Other payables	85,502		-
5	Hotong Motor Investment Co., Ltd.	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	3	Other receivables	78,451		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Hozhan Motor Service Co., Ltd.	3	Other receivables	73,737		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Hoyu Motor Service Co., Ltd.	3	Other receivables	48,642		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	3	Other receivables	507,805		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Heling Motor Service Co., Ltd.	3	Sales revenue	36,639		-
5	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	3	Other receivables	108,216		-
5	Hotong Motor Investment Co., Ltd.	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	3	Sales revenue	27,063		-
5	Hotong Motor Investment Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	141,864		-
5	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	3	Other payables	33,067		-
5	Hotong Motor Investment Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	3	Sales revenue	32,418		-
5	Hotong Motor Investment Co., Ltd.	Nanjing HoZhan Motor Sales and Service Co.,Ltd.	3	Other receivables	85,324		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Mian Motor Technology Co., Ltd.	3	Other payables	91,526		-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
5	Hotong Motor Investment Co., Ltd.	Shanghai Hochen Motor Technology Co., Ltd.	3	Other receivables	\$ 130,975		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	3	Other payables	49,222		-
5	Hotong Motor Investment Co., Ltd.	Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	3	Other payables	105,895		-
5	Hotong Motor Investment Co., Ltd.	Hoyun International Lease Co., Ltd.	3	Other receivables	446,253		-
6	Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	3	Sales revenue	30,429		-
7	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	3	Sales revenue	27,316		-
7	Tianjin Ho-Yu Motor Sales and Service Co., Ltd.	Zaozhong Ho-Wan Motor Sales & Service Co., Ltd.	3	Sales revenue	34,033		-
8	Shanghai Heling Motor Service Co., Ltd.	Nanchang Heling Lexus Motor Sales & Service Co., Ltd.	3	Sales revenue	55,761		-
8	Shanghai Heling Motor Service Co., Ltd.	Hoyun International Lease Co., Ltd.	3	Sales revenue	114,006		-
9	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Hotong Motor Investment Co., Ltd.	3	Other receivables	133,117		-
9	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	3	Sales revenue	27,725		-
9	Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Hoyun International Lease Co., Ltd.	3	Sales revenue	37,025		-
10	Shanghai Hozhan Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	3	Sales revenue	105,491		-
11	Shanghai Hoyu Motor Service Co., Ltd.	Tianjin Heyi International Trading Co., Ltd.	3	Sales revenue	43,099		-
12	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	3	Sales revenue	57,915		-
12	Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	3	Sales revenue	31,241		-
13	Nanjing HoZhan Motor Sales and Service	Tianjin Heyi International Trading Co., Ltd.	3	Sales revenue	30,183		-
14	Hoing Mobility Service Corporation	Hotai Leasing Co., Ltd.	3	Rental revenue	70,817		-
14	Hoing Mobility Service Corporation	Hotai Leasing Co., Ltd.	3	Other payables	34,669		-
15	Ho Tai Service & Marketing Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	215,416	Closes its accounts 60 days after the end of each month	-
16	Ho Tai Parts & Accessories Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	341,026		-
16	Ho Tai Parts & Accessories Co., Ltd.	Ho Tai Development Co., Ltd.	3	Accounts receivable	48,834		-
17	Ho Tai Transportation Co., Ltd.	Ho Tai Development Co., Ltd.	3	Sales revenue	114,924		-
18	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Sales revenue	441,435		-
18	Smart Design Technology Co., Ltd.	Carmax Co., Ltd.	3	Accounts receivable	23,751	Closes its accounts 10 days after the end of each month	-

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
19	Hotai Auto Body Manufacturing Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	3	Sales revenue	\$ 55,495		-
19	Hotai Auto Body Manufacturing Co., Ltd.	Chang Yuan Motor Co., Ltd.	3	Sales revenue	48,354		-
20	Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	3	Property, plant and equipment and other non- current assets	138,002	In accordance with the agreement	-

Note 1 : The numbers filled for inter-company transactions are as follows:

- 1.The parent company is numbered "0".
- 2.The subsidiaries are numbered starting from "1".

Note 2 : The relationships among the transaction parties are as follows:

- 1.The parent company to the subsidiary.
- 2.The subsidiary to the parent company.
- 3.The subsidiary to another subsidiary.

Note 3 : Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Ho Tai Motor Co., Ltd.

Names, locations and other information of investee companies (not including investees in Mainland China)

Nine months ended September 30, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 9

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2022			Net profit (loss) of the investee for the nine months ended September 30, 2022	Investment income (loss) recognized by the Company for the nine months ended September 30, 2022	Footnote
				Balance at September 30, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value			
Ho Tai Motor Co., Ltd.	Hozan Investment Co., Ltd.	Taiwan	General investment	\$ 7,201,122	\$ 7,201,122	-	100.00	\$ 411,535	(\$ 21,088,143)	(\$ 21,088,143)	Subsidiary
Ho Tai Motor Co., Ltd.	Kuozui Motors, Ltd.	"	Sales of vehicles and parts and manufacturing of vehicles	4,390,907	4,390,907	103,800,000	30.00	5,874,223	2,110,457	632,203	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Shanghai Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	General investment	3,457,491	3,457,491	108,897,360	100.00	9,593,883	680,534	680,534	Subsidiary
Ho Tai Motor Co., Ltd.	Chang Yuan Motor Co., Ltd.	Taiwan	Sales of vehicles and parts and repairing of vehicles	326,463	326,463	313,500,000	100.00	4,348,751	504,115	504,115	"
Ho Tai Motor Co., Ltd.	Central Motor Co., Ltd.	"	"	2,098,966	2,098,966	15,000,000	20.00	2,736,634	788,574	155,409	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Ho Tai Development Co., Ltd.	"	Agent for sales of air conditioning system and contracting of air conditioning construction	73,787	73,787	24,710,856	45.01	3,763,047	1,220,868	549,217	Subsidiary
Ho Tai Motor Co., Ltd.	Tau Miao Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	1,324,655	1,324,655	15,153,573	20.00	1,755,280	774,174	151,330	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Kau Du Automobile Co., Ltd.	"	"	1,236,592	1,236,592	22,161,150	20.00	1,437,687	432,978	81,943	"
Ho Tai Motor Co., Ltd.	Carmax Co., Ltd.	"	Trading of vehicle products/accessories	153,030	153,030	22,950,000	51.00	1,603,129	779,234	397,409	Subsidiary
Ho Tai Motor Co., Ltd.	AIM Technology Corp.	"	"	16,500	16,500	1,650,000	15.00	17,534	4,751	713	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	201,700	201,700	25,438,987	34.81	1,245,904	398,358	138,668	"
Ho Tai Motor Co., Ltd.	Kuotu Motor Co., Ltd.	"	"	1,010,667	1,010,667	17,553,761	20.18	1,407,914	687,078	138,652	"
Ho Tai Motor Co., Ltd.	Nan Du Motor Co., Ltd.	"	"	186,851	186,851	14,806,073	23.67	1,167,997	574,436	135,969	"
Ho Tai Motor Co., Ltd.	Toyota Material Handling Taiwan Ltd.	"	Sales of vehicles and parts for industry use	50,000	50,000	70,597,690	100.00	1,119,323	143,226	143,226	Subsidiary
Ho Tai Motor Co., Ltd.	Eastern Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	80,000	80,000	39,268,179	100.00	491,453	42,475	42,475	"
Ho Tai Motor Co., Ltd.	Lang Yang Toyota Motor Co., Ltd.	"	"	256,000	256,000	2,000,000	20.00	303,513	72,501	13,988	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Formosa Flexible Packaging Corp.	Taiwan	Production and marketing of packaging products	87,520	87,520	1,295,108	44.44	397,457	12,082	5,369	"
Ho Tai Motor Co., Ltd.	Shi-Ho Screw Industrial Co., Ltd.	"	Manufacturing and sales of precision screws	7,400	7,400	211,433	21.14	124,975	23,203	4,905	Investee company accounted for using the equity method

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2022			Net profit (loss)	Investment income	Footnote
				Balance at September 30, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	of the investee	(loss) recognized	
									for the nine months ended September 30, 2022	by the Company for the nine months ended September 30, 2022	
Ho Tai Motor Co., Ltd.	Yokohama Tire Taiwan Co., Ltd.	Taiwan	Import and export of all kinds of tires and inner tubes	\$ 3,000	\$ 3,000	\$ 3,000	25.00	\$ 97,824	\$ 55,164	\$ 13,791	Investee company accounted for using the equity method
Ho Tai Motor Co., Ltd.	Smart Design Technology Co., Ltd.	"	Electronic parts and components manufacturing	10,763	10,763	960,961	20.00	32,115	16,711	3,342	Subsidiary
Ho Tai Motor Co., Ltd.	Hotai Connected Co., Ltd.	"	E-commerce platform services	879,060	879,060	79,100,000	70.00	548,324	56,398	42,312	"
Ho Tai Motor Co., Ltd.	Hotai Auto Body Manufacturing Co., Ltd.	"	Car assembly business	500,000	500,000	50,000,000	50.00	498,237	(7,628)	(3,814)	"
Ho Tai Motor Co., Ltd.	He Jun Energy Co., Ltd.	"	Solar power	180,000	-	18,000,000	18.00	178,671	(7,386)	(1,329)	"
Ho Tai Motor Co., Ltd.	Hotai Auto Body Sales Co., Ltd.	"	Sales of vehicle bodies	40,000	-	4,000,000	100.00	35,447	(2,042)	(1,562)	"
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Tienjin Ho Yu Investment Co., Ltd.	British Virgin Islands	General investment	111,125	111,125	3,500,000	70.00	171,999	8,710	-	An indirect wholly-owned subsidiary
Shanghai Ho-Yu (BVI) Investment Co., Ltd.	Beijing Ho-Yu (BVI) Investment Co., Ltd.	British Virgin Islands	General investment	38,100	38,100	1,200,000	40.00	-	-	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hotai Finance Co., Ltd.	Taiwan	Installment trading and leasing of various vehicles	62,003	62,003	233,782,831	45.39	10,713,225	2,696,421	-	An indirect wholly-owned subsidiary
Hozan Investment Co., Ltd.	Hotai Leasing Co., Ltd.	"	Leasing of vehicles	181,907	181,907	83,629,381	66.04	3,374,457	815,471	-	"
Hozan Investment Co., Ltd.	Hozao Enterprise Co., Ltd.	"	Installment trading of various vehicles	34,756	34,756	3,823,128	18.29	401,768	93,700	-	Subsidiary's investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Taipei Toyota Motor Co., Ltd.	"	Sales of vehicles and parts and repairing of vehicles	77	77	2,000	-	121	398,358	-	Investee company accounted for using the equity method
Hozan Investment Co., Ltd.	Hotai Insurance Co., Ltd.	"	Property and casualty insurance services	6,831,887	6,831,887	19,960,531	99.80	(14,409,082)	(21,847,800)	-	An indirect wholly-owned subsidiary
Hozan Investment Co., Ltd.	Heng Yun Investment Co., Ltd.	"	General investment	298,864	298,864	20,470,156	40.00	325,816	92,744	-	Subsidiary's investee company accounted for using the equity method
Hotai Finance Co., Ltd.	HOYUN INTERNATIONAL LIMITED	British Virgin	General investment	1,282,700	1,282,700	40,400,000	50.50	2,680,568	676,791	-	An indirect wholly-owned subsidiary
Hotai Leasing Co., Ltd.	HOYUN INTERNATIONAL LIMITED	"	"	1,257,300	1,257,300	39,600,000	49.50	2,626,648	676,791	-	"
Hotai Finance Co., Ltd.	Hoing Mobility Service Co., Ltd.	Taiwan	Leasing of vehicles	310,000	310,000	31,000,000	50.82	330,499	28,637	-	"
Hotai Connected Co., Ltd.	Hoing Mobility Service Co., Ltd.	"	"	300,000	300,000	30,000,000	49.18	319,834	28,637	-	"
Hotai Connected Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	Taxi dispatch service	180,000	180,000	18,000,000	41.10	141,454	(27,258)	-	An indirect wholly-owned subsidiary
Hotai Connected Co., Ltd.	Ho Young Travel Agency Co., Ltd.	"	Tourism industry	10,000	-	1,000,000	100.00	9,124	(876)	-	"
Hotai Finance Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	Taxi dispatch service	120,000	120,000	12,000,000	27.40	95,680	(27,258)	-	"
Hotai Finance Co., Ltd.	He Jing Co., Ltd.	"	Installment trading of various vehicles	810,000	810,000	81,000,000	81.00	748,528	(64,091)	-	"

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2022			Net profit (loss)	Investment income	Footnote
				Balance at September 30, 2022	Balance as at December 31, 2021	Number of shares	Ownership (%)	Book value	of the investee	(loss) recognized	
									for the nine months ended September 30, 2022	by the Company for the nine months ended September 30, 2022	
Hotai Finance Co., Ltd.	He Jun Energy Co., Ltd.	Taiwan	Solar power	\$ 800,000	\$ -	\$ 80,000,000	80.00	\$ 794,091	(\$ 7,386)	\$ -	Subsidiary
He Jun Energy Co., Ltd.	Wei Tien Energy Storage Co., Ltd.	"	"	500	-	50,000	100.00	191	(309)	-	An indirect wholly-owned subsidiary
He Jun Energy Co., Ltd.	Zheng Ren Energy Co., Ltd.	"	"	350	-	35,000	35.00	350	-	-	An indirect wholly-owned subsidiary's investee company accounted for using the equity method
Hotai Mobility Service Co., Ltd.	ChyuanAn Transport Co.,Ltd	"	Taxi service	9,748	9,748	3,400,000	100.00	35,540	106	-	An indirect wholly-owned subsidiary
Hotai Mobility Service Co., Ltd.	YuCheng Transport Co.,Ltd	"	"	39,225	39,225	7,000,000	100.00	99,831	2,764	-	"
Ho Tai Development Co., Ltd.	Ichiban International Co., Ltd.	Samoa	General investment	83,040	83,040	3,000,000	100.00	107,149	(711)	-	"
Ho Tai Development Co., Ltd.	Ho Tai Service & Marketing Co., Ltd.	Taiwan	Repairing of air conditioning equipment and trading of their parts	100,000	100,000	27,190,239	100.00	777,489	80,089	-	"
Ho Tai Development Co., Ltd.	Kashiwabara Hotai Taiwan Co., Ltd.	"	Wholesale and retail of paints and coating	26,820	26,820	882,000	24.50	6,710	-	-	Subsidiary's investee company accounted for using the equity method
Ho Tai Development Co., Ltd.	Ho Tai Parts & Accessories Co., Ltd.	"	Trading of air conditioning equipment and their parts	50,000	50,000	5,000,000	100.00	95,765	11,253	-	An indirect wholly-owned subsidiary
Ho Tai Development Co., Ltd.	3A Express Co., Ltd.	"	Freight forwarders	51,000	51,000	5,100,000	51.00	83,431	59,718	-	"
3A Express Co., Ltd.	Long Hao Removal Transport Services Co., Ltd.	"	"	10,000	10,000	1,000,000	100.00	12,293	8,986	-	"
3A Express Co., Ltd.	Ho Tai Transportation Co., Ltd.	"	"	25,000	25,000	2,500,000	100.00	29,105	34,850	-	"
Ho Tai Service & Marketing Co., Ltd.	Kashiwabara Hotai Taiwan Co., Ltd.	"	Wholesale and retail of paints and coating	8,820	8,820	882,000	24.50	8,121	-	-	Subsidiary's investee company accounted for using the equity method
Ichiban International Co., Ltd.	Air Master International Co., Ltd.	Samoa	General investment	83,040	83,040	3,000,000	100.00	107,149	(711)	-	An indirect wholly-owned subsidiary
Carmax Co., Ltd.	Smart Design Technology Co., Ltd	Taiwan	Electronic parts and components manufacturing	33,242	33,242	2,968,016	61.77	102,499	16,711	-	Subsidiary
Carmax Co., Ltd.	AIM Technology Corp.	"	Trading of vehicle products/accessories	38,500	38,500	3,850,000	35.00	40,912	4,751	-	Investee company accounted for using the equity method
Eastern Motor Co., Ltd.	Doroman Autoparts CORPORATION	"	Wholesale and retail of vehicles parts and accessories	500	500	138,718	100.00	8,638	2,556	-	An indirect wholly-owned subsidiary
Eastern Motor Co., Ltd.	DALEON Auto Parts And Accessories Corporation	"	"	500	500	50,000	100.00	836	309	-	"
Eastern Motor Co., Ltd.	Hotai Connected Co., Ltd	"	E-commerce platform services	5,650	-	565,000	0.50	5,650	56,398	-	Subsidiary
Eastern Motor Co., Ltd.	Hotai Mobility Service Co., Ltd.	"	Taxi service	3,000	3,000	300,000	0.68	3,000	(27,258)	-	An indirect wholly-owned subsidiary
Chang Yuan Motor Co., Ltd.	Hotai Auto Body Manufacturing Co., Ltd.	"	Sales of vehicle bodies	200,000	200,000	20,000,000	20.00	199,288	(7,628)	-	Subsidiary

Ho Tai Motor Co., Ltd.

Information on investments in Mainland China-Basic information

Nine months ended September 30, 2022

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Table 10

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022	Net income of investee for the nine months ended September 30, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine months ended September 30, 2022	Book value of investment in Mainland China as of September 30, 2022	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Hotong Motor Investment Co., Ltd.	Operation decision making, capital using and financial management, information services, employee trainings and other services	\$ 4,065,429	Note(2)	\$ 1,951,038	\$ -	\$ 685,469	\$ 1,265,569	\$ 734,120	100.00	\$ 734,120	\$ 9,382,182	\$ 671,371	Note 2.3
Shanghai Hoyu Motor Service Co., Ltd.	Sales and repairing of vehicles	106,998	Note(2)	106,998	-	-	106,998	71,364	100.00	71,364	570,139	-	"
ChongQing Yuou Toyota Automobile Sales & Service Co., Ltd.	Sales and repairing of vehicles	133,875	Note(2)	11,668	-	-	11,668	-	10.48	-	11,668	-	"
Beijing Hoyu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	95,250	Note(2)	31,750	-	-	31,750	-	40.00	-	-	-	"
Chongqing Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	190,500	Note(2)	190,500	-	-	190,500	133,311	100.00	133,311	661,852	-	"
Shanghai Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	95,250	Note(2)	95,250	-	-	95,250	29,697	100.00	29,697	213,518	-	"
Tianjin Ho-Yu Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	158,750	Note(2)	111,125	-	-	111,125	8,710	70.00	6,097	171,999	-	"
Shanghai Heling Motor Service Co., Ltd.	Sales and repairing of vehicles	111,125	Note(3)	83,344	-	-	83,344	242,368	100.00	242,368	1,556,271	-	"
ChongQing Yurun Toyota Automobile Service Co., Ltd.	Sales and repairing of vehicles	133,875	Note(2)	12,502	-	-	12,502	-	10.48	-	12,502	26,106	"
Shanghai Ho-Qian Logistics Equipment Trading Co., Ltd.	Sales of vehicles and parts for industry use	190,500	Note(2)	190,500	-	-	190,500	9,567	100.00	9,567	190,746	-	"
Zaozhuang Ho-Yu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	433,388	Note(2)	295,275	-	-	295,275	529	100.00	529	267,002	-	"
Zaozhung Ho-Wan Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	44,625	Note(3)	-	-	-	-	676	100.00	676	50,001	-	"
Tangshan Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	184,150	Note(2)	184,150	-	-	184,150	75,320	100.00	75,320	443,290	-	"
Nanchang Heling Lexus Motors Sales & Service Co., Ltd.	Sales and repairing of vehicles	206,375	Note(2)	206,375	-	-	206,375	124,933	100.00	124,933	593,607	-	"
Hoyun International Lease Co., Ltd.	Leasing, wholesale, retail of and support service for vehicles	2,540,000	Note(2)	2,540,000	-	-	2,540,000	676,791	55.61	376,382	2,951,401	-	Note 2.1
Hoyun (Shanghai) Commercial Factoring Co., Ltd.	Factoring services	223,126	Note(3)	-	-	-	-	12,642	55.61	7,031	147,449	-	Note 2.3
Hoyun (Shanghai) Vehicle Leasing Ltd.	Leasing of cars	669,379	Note(3)	-	-	-	-	28,376	55.61	15,781	322,907	-	"
He Zhan Development Co., Ltd.	Trading of air conditioning equipment	95,250	Note(2)	95,250	-	-	95,250	(711)	45.01	(320)	55,123	-	"
Tianjin Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	381,000	Note(3)	-	-	-	-	92,270	100.00	92,270	619,787	-	Note 2.3

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022	Net income of investee for the nine months ended September 30, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine months ended September 30, 2022	Book value of investment in Mainland China as of September 30, 2022	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Tianjin Hozhan Motor Service Co., Ltd.	Sales and repairing of vehicles	\$ 306,128	Note(3)	\$ -	\$ -	\$ -	\$ -	\$ 14,159	100.00	\$ 14,159	\$ 335,121	\$ -	Note 2.3
Linyi Hoyu Toyota Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	381,000	Note(3)	-	-	-	(10,097)	35.00	(3,534)	57,050	-	-	"
Carmax Autotech (Shanghai) Co., Ltd.	Trading of vehicle products/accessories	42,228	Note 1	42,228	-	-	42,228	33,297	51.00	16,981	176,675	-	"
Guangzhou Gac Changho Autotech Corporation	"	101,388	"	45,625	-	-	45,625	36,887	22.95	8,466	40,975	131,149	"
Linyi Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	317,500	Note(3)	-	-	-	-	36,334	35.00	12,717	159,642	-	"
Taizhou Zhongdu Lexus Motor Sales & Service Co.,Ltd.	"	476,250	Note(3)	-	-	-	-	30,999	35.00	10,850	218,648	-	"
Beijing Heling Lexus Motor Sales & Service Co., Ltd.	"	381,000	Note(3)	-	-	-	-	35,921	35.00	12,572	215,935	-	"
Jinzhong Central Toyota Motor Sales & Service Co., Ltd.	"	444,500	Note(3)	-	-	-	(17,359)	35.00	(6,076)	46,512	-	-	"
Shanghai Hede Used Vehicle Co., Ltd.	Trading of used vehicles	18,743	Note(3)	-	-	-	(363)	71.43	(259)	(1,138)	-	-	"
Shanghai Guangxin Cultural Media Co., Ltd.	Design and production of advertisements	4,463	Note(3)	-	-	-	-	49	100.00	49	10,963	-	"
Shanghai Yangpu Heling Lexus Motor Sales & Service Co., Ltd.	Sales and repairing of vehicles	477,045	Note(3)	-	-	-	-	78,931	100.00	75,778	795,088	-	"
Shanghai Ho-Mian Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property management	1,026,375	Note(3)	-	-	-	-	1,152	100.00	1,152	1,004,762	-	"
Shanghai Hoxin Motor Service Consulting Co.,Ltd.	Consulting service and property management	22,313	Note(3)	-	-	-	-	149	100.00	149	22,378	-	"
Tianjin Heyi International Trading Co., Ltd.	Sales of imported vehicles	89,250	Note(3)	-	-	-	-	9,898	100.00	9,898	122,854	-	"
Chongqing Taikang Heling Lexus Motor Sales & Service Co.,Ltd.	Sales and repairing of vehicles	44,625	Note(3)	-	-	-	(15,500)	50.00	(7,750)	(6,799)	-	-	"
Shanghai HoChen Motor Technology Co., Ltd.	Trading of vehicle products/accessories and property management	317,500	Note(3)	-	-	-	(6,422)	100.00	(6,422)	293,099	-	-	"
Shanghai Jiading Heling Lexus Motor Service Co., Ltd.	Sales and repairing of vehicles	333,375	Note(3)	-	-	-	-	14,656	100.00	14,656	326,259	-	"
Tianjin Binhai Heling Lexus Motor Service Co.,Ltd.	Sales and repairing of vehicles	133,875	Note(3)	-	-	-	-	2,137	35.00	748	44,100	-	"
Tianjin Yongda Communication Technology Co., Ltd.	Trading of vehicle products / accessories and property management	262,306	Note(3)	-	-	-	-	199	35.00	(3,430)	169,510	-	"
Nanjing HoZhan Motor Sales and Service Co.,Ltd.	Sales and repairing of vehicles	133,875	Note(3)	-	-	-	-	3,493	70.00	2,445	95,885	-	"
Taiyuan Zhongdu Heling Lexus Motor Sales & Service Co., Ltd.	"	136,525	Note(3)	-	-	-	-	7,672	35.00	2,685	46,007	-	"
Shanghai Zhongxin Means of Transportation Engineering Co.,Ltd.	Property management	22,313	Note(3)	-	-	-	-	6,154	100.00	(3,903)	490,027	-	"
Shanghai Fengyi Construction Decoration Co.,Ltd.	"	249,900	Note(3)	-	-	-	-	14,662	70.00	(351)	656,338	-	"

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022	Net income of investee for the nine months ended September 30, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized by the Company for the nine months ended September 30, 2022	Book value of investment in Mainland China as of September 30, 2022	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Tianjin Hekang Finance Leasing Co., Ltd.	Leasing business	\$ 758,625	Note(3)	\$ -	\$ -	\$ -	\$ -	\$ 10,492	100.00	\$ 10,492	\$ 769,061	\$ -	Note 2.3
Qingdao Heling Lexus Automobile Sales Service Co., Ltd.	Sales and repairing of vehicles	312,375	Note(3)	-	-	-	(9,300)	70.00	(6,510)	212,113	-	-	"
Hangzhou Yiyou Network Technology Co., Ltd.	Leasing business	446	Note(3)	-	-	-	-	55.61	-	3,636	-	-	"
Hangzhou Wangyou Network Technology Co., Ltd.	"	446	Note(3)	-	-	-	-	55.61	-	1,055	-	-	"
Homei Consulting (Suzhou) Company Limited	Consulting service and property management	446	Note(3)	-	-	-	-	55.61	-	248	-	-	"

Note 1: The investments are classified as follows:

Note(1) Direct investment in Mainland China.

Note(2) Investment in Mainland China companies through a company invested and established in a third region.

Note(3) Others.

Note 2: The amount of investment income (loss) recognized for the nine months ended September 30, 2022 is based on:

(1) The financial statements were reviewed by R.O.C parent company's CPA.

(2) The financial statements were reviewed by other independent accountants in PricewaterhouseCoopers, Taiwan.

(3) Others - the self-prepared financial statements that were not reviewed by independent accountants.

Note 3: Related amounts in the following table are expressed in NT\$.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Ho Tai Motor Co., Ltd.	\$ 3,296,440	\$ 6,654,437	\$ 46,699,638

Ho Tai Motor Co., Ltd.
Major shareholders information
Nine months ended September 30, 2022

Table 11

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Ho Yu Investment Co., Ltd.	48,267,625	8.83%
Toyota Motor Corporation	44,406,112	8.13%
Li Gang Enterprise Co., Ltd.	40,569,353	7.42%
Jin Yuan Shan Investment Co., Ltd.	36,071,520	6.60%